

Compliance Policy and Procedures Manual

Chapter 5

Returns



Sales and Use Tax Department

*California State
Board of Equalization*

This is an advisory publication providing direction to staff administering the Sales and Use Tax Law and Regulations. Although this material is revised periodically, the most current material may be contained in other resources including Operations Memoranda and Policy Memoranda.

Please contact any board office if there are concerns regarding any section of this publication.

COMPLIANCE POLICY AND PROCEDURES MANUAL

Table of Contents

Returns	500.000
General Statement on Returns	505.000
Who Must File Returns	505.010
Returns Subject to Audit Verification	505.020
Return Forms Furnished by the Board	505.030
Electronic Filing (E-Filing)	505.035
Return Forms Requiring Address Changes	505.040
Return Forms Furnished by District offices	505.050
Prepayment Forms Furnished by District offices	505.060
Instructions to Taxpayers	505.070
Preparation of Tax Returns by Board Employees	505.080
What Constitutes a Return	505.090
Returns Without Payment	505.100
Fully Paid Returns	505.110
Payment by Credit Card	505.115
Supplemental or Amended Returns	505.120
Alterations of Returns by Board Employees	505.130
Returns with Payments Directed to Another State Agency in Error	505.140
Floor Stock Tax Returns	505.150
Sales and Use Tax Returns and Prepayments	510.000
Reporting Periods of Returns	510.010
Due Dates of Returns	510.015
Penalty and Interest for Filing Returns or Payments Late	510.020
Due Dates and Amounts Due for Prepayment Returns	510.025
Penalty for Filing Prepayment Forms Late	510.030
Electronic Funds Transfer (EFT) Prepayments	510.035
Electronic Funds Transfer (EFT) Payments	510.040
Use Tax Return Does Not Constitute Sales Tax Return	510.045
Tax Accrued Prior to Date of Application for Permit	510.050
Pre-Collection of Retail Sales Tax on Fuel — “SG” Accounts	510.060
Consolidated Returns	510.070
BOE-401-EZ Sales and Use Tax Returns	510.075
Schedules Accompanying Returns of Certain Taxpayers	510.080
Consumer Use Tax Returns (Taxable Activity Types	
SA, SB, SP, SI):Vehicles/Mobilehomes, Vessels, Aircraft, Customs	510.090
Use Tax Information Returns	510.100
Mail Remittances	510.110
Postal Meter Dates	510.120
Remittances and Returns Received When Offices are Closed	510.130
Payments Mailed But Not Received	510.140
Cancellation of Penalty and Interest Assessed on a Late Mailing	510.150
Effect of Holidays on Due Dates	510.160
Effective Date of Payment for Returns — Decision Table	510.170
Effective Date of Accounts Receivable Payments — Decision Table	510.180
Statutory Date Filing on Saturday, Sunday, or Holidays	510.190
Split Returns in Bankruptcy Cases	510.200

COMPLIANCE POLICY AND PROCEDURES MANUAL

Extensions for Filing Returns	535.000
Extensions in General	535.010
Authority for Granting Extensions.....	535.020
Reasons for Granting Extensions.....	535.030
Extensions — State Vendors / Delayed State Budget.....	535.035
Extension Granted State Agencies.....	535.040
Extension of Time Granted to Certain Political Subdivisions.....	535.050
Processing of Returns in District Offices	540.000
Current Returns	540.010
Payments Received in District Offices.....	540.020
Dating Returns Received in District Offices.....	540.030
Location of Receipt Number on Return	540.040
Effective Date of Payment on Returns	540.050
Envelope Containing Return — Disposition of	540.060
Overpaid Returns	540.070
No Remittance Return	540.080
Partial Remittance Return	540.090
Unapplied Remittances	540.095
Final Return	540.100
Final Return — Paid in Full from Security	540.110
Final Return — Partially Paid from Security	540.120
Final Return — Security Available — Close-Out Audit Pending	540.130
Correspondence Accepted as Return	540.140
Colored Pencil Entries on Returns	540.150
Space Reservations on Returns.....	540.160
Compliance Assessment Procedure	540.170
Adjusting Billings Issued by the Return Analysis Section	540.180
Underpayments or Overpayments of \$10.00 or Less.....	545.000
Accounts Receivable Balances	545.010
District Collection.....	545.020
Minimum Amount of Overpayment Refunds Made Without Claims.....	545.030
Delinquency Control	550.000
General.....	550.010
Delinquency Control Cycle	550.020
Delinquency Control Record.....	550.030
Delinquency Control Record Clearance	550.040
Delinquent Inventory of Aged Closed-Out Accounts	550.050

Please Note: This chapter does not include detailed procedures for completing tasks in IRIS. For detailed procedures, it is recommended that you access the BTR Guide on the ACMS LAN and refer to Job Aid #15.

RETURNS

500.000

GENERAL STATEMENT ON RETURNS

505.000

WHO MUST FILE RETURNS

505.010

Under section 6452 of the Revenue and Taxation Code (RTC), every seller and every person liable for sales tax must file a return with the Board. In addition, every person who purchases tangible personal property that is subject to the use tax must file a return if he or she did not pay the use tax to a retailer required to collect the tax. RTC section 6453 requires sellers to show their gross receipts from retail sales on the returns or the total sales price of property subject to use tax. Purchasers must show the total sales price of the property purchased, the storage use, or consumption of which property became subject to use tax during the preceding reporting period.

Accordingly, each taxpayer who has an active account under any of the revenue laws administered by the Board is required to file returns and pay amounts due at regular intervals as prescribed by law and required by the Board. Unless returns are filed, the Board remains uninformed as to the amount of tax due. A return must be filed even though there may be no transactions to report or tax to pay. In addition, sellers and purchasers not currently registered by the Board may be required to file returns if they make sales or untaxed purchases sufficient to qualify them as retailers or consumers.

RETURNS SUBJECT TO AUDIT VERIFICATION

505.020

All of the revenue laws administered by the Board provide for the self-assessment of taxes due there under. All of the returns on which the self-assessments are made are subject to verification by audit.

RETURN FORMS FURNISHED BY THE BOARD

505.030

Under RTC section 6452, returns, including those on electronic media, must be in such form as prescribed by the Board. Under all of the laws administered by the Board, the Board furnishes tax return forms to taxpayers. If a taxpayer has been informed by the Board that the taxpayer is required to make monthly prepayments of quarterly tax under the Sales and Use Tax Law, the Board furnishes prepayment forms to the taxpayer, unless the taxpayer is making payments through an electronic funds transfer. (See CPPM 510.035.)

The Board normally provides standard return forms to registered taxpayers. The use of a standard form is not only a service to the taxpayer, but it also expedites the Board processing of returns after they are filed. For most taxpayers, the form is on paper and is mailed to the taxpayer as third-class mail. The mailed form includes certain preprinted taxpayer information such as the account number, the tax area code, and a bar code to expedite processing. Effective for the quarter ending December 31, 2000, certain taxpayers are given the option to file electronically through a service provider called an Electronic Return Originator (ERO). (See CPPM 505.035.)

The Board also provides Form 79-B, *Individual Use Tax Return*, for consumers who wish to voluntarily report use tax on untaxed purchases. This form is available on the Board's Internet and Intranet websites at www.boe.ca.gov.

Failure to receive a return form from the Board does not relieve the taxpayer of the obligation to file a timely return. A taxpayer who has not received a form should obtain the appropriate form and file it with the Board within the time specified by law. A taxpayer may obtain a sales and use tax return form from any Board office, or by calling the Board's Information Center at 1-800-400-7115, or by accessing the Board's website at www.boe.ca.gov. Taxpayers may also file a return without using a return form. See CPPM 505.090 for the information that must be provided if a return form is not used.

ELECTRONIC FILING (E-FILING)

505.035

Effective December 2000, the Board of Equalization (Board) implemented its Electronic Filing (e-filing) Program, which provides taxpayers an alternative to filing paper returns. Specifically, taxpayers are able to file returns and pay any amount due using the Internet. Detailed information about e-filing is on the Board's website.

The E-Filing Program works in partnership with Electronic Return Originators (ERO), who will gather the return and payment information from taxpayers and transmit it to the Board in real time. The ERO will be able to communicate with IRIS to determine if the taxpayer is eligible to e-file and, if so, which period is available to be e-filed. Upon receipt of a valid transmission, the Board will return a Confirmation of Filing Number to the ERO, which will be passed on to the taxpayer. Additionally, the Board will provide the taxpayer the option of delaying the return filing and payment until the due date.

The e-filing process uses IRIS to make inquiries on accounts and return validation information, such as name, address, eligibility, etc. The current period eligible to be e-filed will be determined from information stored in IRIS. Eligibility will be based on the most current information available about an account. Electronic returns will be processed through IRIS in the same manner that paper returns are processed.

Participation in the E-Filing Program is voluntary. Taxpayers who e-file for one period are not required to e-file for another period. Therefore, returns will continue to be mailed to all taxpayers. Taxpayers interested in participating in the E-Filing Program must enroll with an ERO listed on the Board web-site. As part of the enrollment process, the ERO will provide eligible taxpayers with the Declaration of Intent to E-File. The taxpayer must agree to the conditions set forth in the declaration before proceeding. The taxpayer then provides the tax return information to the ERO, who forwards it to the Board. Once the filing has been accepted for processing, the Board will send a Confirmation of Filing Number.

Only sales and use tax, single outlet retailer accounts filing Form BOE-401-A, with schedule A only, or filing Form BOE-401-EZ, are eligible to E-File as of January 2001. Accounts that meet these criteria are eligible to e-file even if they are revoked. In addition, temporary accounts with a single location are eligible to e-file, as are any state agencies and California municipalities that are granted automatic extensions provided they qualify as a single outlet retailer (see CPPM 535.040 and 535.050). If an account is revoked at the time of application, a warning message will be sent to the ERO along with the Confirmation of Filing Number. The warning message will inform the ERO that receipt of a return does not complete the taxpayer's reinstatement process. The ERO is required to forward this message to the taxpayer.

Accounts that are ineligible for E-Filing include, but are not limited to:

- Tax or fee program accounts other than Sales and Use Tax.
- Accounts filing amended or corrected returns.
- Accounts that require reporting on multiple schedules, other than single outlet Schedule A.
- Accounts in bankruptcy/assignment status.
- Board designated confidential accounts and Secretary of State designated confidential accounts.
- Accounts required to make monthly estimated prepayments of tax.
- Accounts claiming a manufacturer's exemption deduction.
- Accounts claiming the aircraft adjustments for local tax and require a supplemental schedule.
- Mandatory Electronic Funds Transfer (EFT) accounts.
- Accounts that have been issued a manufacturer's exemption certificate under Regulation 1525.2

Taxpayers that sell to customers who claim the manufacturer's exemption may file electronically as long as the deduction for such sales is \$25,000 or less.

When an account is not eligible for e-filing, a message will be returned to the ERO referring the taxpayer to the eligibility requirements for e-filing on the Board's web-site, and the toll free telephone number for the Customer and Taxpayer Services Information Center. The ERO will forward the message to the taxpayer. A taxpayer that requires additional assistance can call the Information Center at 1-800-400-7115, and a representative will provide the reason(s) for ineligibility to e-file.

Potential EROs must enroll with the Board by submitting a completed Form BOE-400-ELF, Electronic Return Originator Application. Rules, procedures, technical requirements of the program, and the BOE-400-ELF are presented in the E-Filing Handbook and Specifications. Copies of the form and handbook are available on the Board's website. The website also provides the name and address of the unit to which the application must be submitted.

An ERO that wishes to participate in the E-Filing Program must pass both the qualifications review and system testing. System testing is a predetermined selection of return scenarios that validate the ability to transmit data to, and receive data from, the Board in a specified format. After successful completion of testing, the ERO name and hyperlink will be added to the alphabetical listing of authorized ERO on the Board web-site. Taxpayers can choose any authorized ERO to transmit their electronic return to the Board. Taxpayers can choose a different ERO for each return period. An ERO is in no way affiliated with the Board and the Board does not receive any portion of the fees charged to the taxpayer for the e-filing service.

Returns with tax due must have the tax paid in full at the time of e-filing. Currently, only Automated Clearing House (ACH) Debit transactions will be accepted. The ERO will be required to collect the taxpayer's banking information along with the amount to be paid and forward it to the Board for processing. The Board will create the Direct Debit file and forward it to the State's bank for processing.

RETURN FORMS REQUIRING ADDRESS CHANGES**505.040**

The United States Postal Service does not forward third class mail if the mailing address is incorrect. Consequently, return forms that are returned to the Board as undeliverable are directed to the district offices or initiating headquarters section so that the condition causing their return may be corrected. Priority should be given to remailing the returns by first class mail when a forwarding address is known. Special first class envelopes are available from the Reproduction and Supply Section in headquarters (envelope #E 14-A). Any corrections to the registration record should be made on-line.

When returns are filed with headquarters, headquarters will provide information that must be changed in the appropriate district and will refer copies of the filed returns to the district. The Account Analysis and Control Section and the Information Center are authorized to make mailing address, DBA and minor business address (e.g., a suite number) changes. All other changes must be made by the district office or initiating headquarters section.

RETURN FORMS FURNISHED BY DISTRICT OFFICES**505.050**

District offices should furnish return forms to:

- Any person required to file who does not receive a return and who contacts a district office. The district staff should ensure that the following information is entered on the return form provided to the taxpayer: the taxpayer's name, address, area code, account number and the period covered by the return. Generally this information will be entered automatically if the return is generated from IRIS. However, if a return form must be downloaded from another source, staff must enter this information manually.
- Taxpayers whose new applications and change of mailing address forms are processed after certain dates for each reporting period. District staff must furnish the appropriate tax return form and must note on the application which returns were furnished. See the Calendar of Sales Tax Functions for applicable dates. Copies of the Calendar are available from compliance supervisors.

It is important that staff provide the proper return form to taxpayers, together with any supplemental schedules as required. The Print Sub-system Menu of IRIS's on-line registration program allows the printing of various return forms and completion instructions for new accounts.

If time does not permit mailing a return to the taxpayer for a timely filing, the taxpayer should be instructed to obtain a copy of the return form from the Board's Website or to file a return in letter form. (See CPPM 505.090.) The taxpayer is under an obligation to report and pay the amount of tax due before it becomes delinquent, but the Board is under no legal obligation to furnish returns. Late filing and payment of a return because of failure to receive a return form is not normally considered a cause for the abatement of penalty charges.

PREPAYMENT FORMS FURNISHED BY DISTRICT OFFICES**505.060**

Except for taxpayers reporting by EFT, any person required to make a monthly prepayment of his/her quarterly sales and use tax who does not receive a prepayment form and who contacts a district office should be furnished with prepayment form BOE-1150. Second quarter prepayments are reported on Form BOE-1150-B. These forms are available from the system or as paper copies. The name, address, area code, account number, and the month for which the prepayment is being made should be entered on the form before it is given to the taxpayer. As noted in CPPM 505.050, forms generated from IRIS will automatically provide this information. Staff must manually add the information to prepayment forms generated from other sources. *Prepayment forms should only be furnished to persons who have been notified by the Board that they are on prepayment status.*

INSTRUCTIONS TO TAXPAYERS

505.070

Clear instructions regarding the preparation and filing of returns should be given to all persons at the time they file applications. Taxpayers should understand clearly when returns are due and also the consequences of failure to file a timely return and remit payment timely. Proper instruction of the taxpayer is the responsibility of the staff person accepting the application.

Instructions should cover not only how to fill out the front of the Form BOE-401-A, but also any subsidiary schedules required of the taxpayer. Subsidiary schedules may include:

- Form BOE-401-A, Schedule A — Computation Schedule for District Tax.
- Form BOE-531, Schedule B — Detailed Allocation by County of 1% Uniform Local Sales and Use Tax.
- Form BOE-530, Schedule C — Detailed Allocation by Suboutlet of Uniform Local Sales and Use Tax.
- Form BOE-531-E, Schedule E — Detailed Allocation by County of 1% Uniform Local Use Tax.
- Form BOE-530-B, Local Tax Allocation for Temporary Sales Locations and Certain Auctioneers.
- Form BOE-531-F, Schedule F — Detailed Allocation by City of 1% Uniform Local Sales and Use Tax.
- Form BOE-531-T, Schedule T — Tax Adjustment Worksheet. (Used with Form BOE-401-A.)
- Form BOE-531-TE, Schedule TE — Tax Adjustment Worksheet. (Used with Form BOE-401-E.)
- Form BOE-531-X, Schedule X — Detailed Allocation by County of Sales Exempt from Local Tax.

It is particularly important to inform taxpayers about the proper method of completing schedules for reporting local and district taxes. The Board has a legal obligation to collect, allocate and disburse taxes on behalf of counties, cities, and special tax districts. If taxpayers fail to correctly prepare the subsidiary return, the Board will be unable to properly allocate local and district taxes. See Exhibit 5 for more information about local tax allocations.

An applicant for a permit who will be required to file yearly returns will be given a copy of Form BOE-400-Y, Important Reminder for Accounts Reporting on a Yearly Basis.

PREPARATION OF TAX RETURNS BY BOARD EMPLOYEES

505.080

As a general rule, a Board employee should not prepare the return for the taxpayer. In exceptional cases where the taxpayer has difficulty in writing English or is physically incapacitated and unable to write, and produces his/her records with the request that the return be prepared, an employee of the Board may do so. In such cases, the following notation should be made on the return: *"PREPARED FROM UNVERIFIED DATA FURNISHED BY THE TAXPAYER,"* with the signature of the employee beneath the notation.

In no case should an employee of the Board sign the return for the taxpayer or prepare a return outside the taxpayer's presence. If the taxpayer is illiterate and unable to sign his name, an employee may witness the taxpayer's mark.

WHAT CONSTITUTES A RETURN**505.090**

A return will be deemed to have been filed when the taxpayer provides in writing all the following information:

1. A request that the correspondence be accepted as a return or a statement, regardless of how brief, indicating that the taxpayer is attempting to file a return, and
2. The reporting period for which the correspondence (return) is filed, and
3. The amount of tax due or that no tax is due.

Even though the correspondence may only report the net tax figure, it may be accepted as a return if the information listed above is provided. When the taxpayer has shown due diligence in making every effort to submit what he or she feels is a return or indicates that he or she did not receive a return form, the correspondence submitted should be accepted as a return.

If a taxpayer's check indicates the reporting period and the measure of the tax being paid, it may be processed as a return. As a general rule, if tax due can be calculated from the information provided, the correspondence should be processed as a return. A transmittal letter, memorandum, or note accompanying a payment of tax generally does not qualify as a return if any of the items above are missing. For instance, a statement that a payment represents tax due for a particular reporting period is not sufficient because the taxpayer has not indicated that the correspondence represents a return. If the taxpayer is paying tax and intends to send the return separately, the tax payment is not accepted as a return. However, it is important to always consider the taxpayer's intent. Asking the question "Is the taxpayer attempting to file his or her tax return or just sending the tax payment for the period?" will help in determining how to process the correspondence and any payment.

Any sales and use tax return form received in headquarters or the field without tax information but with a tax payment should be processed as a return. The Return Analysis Section has responsibility to review these returns to determine if this is a recurring problem and if appropriate, bill a 10% penalty for not filing a timely return.

RETURNS WITHOUT PAYMENT**505.100**

If a return in any form is received after the due date without the required remittance of the tax, the delinquency will be cleared, but these returns will be billed and become collection items.

FULLY PAID RETURNS**505.110**

Returns will be considered fully paid even though the payment accompanying the return is underpaid, if the underpayment does not exceed \$10.00 including penalty and interest. If the shortage exceeds \$10.00, the taxpayer will be notified and, if necessary, billed (see CPPM 545.000).

PAYMENT BY CREDIT CARD**505.115**

The Credit Card Payment Program for Sales and Use Tax was implemented as a result of Assembly Bill 1374 (Statutes 1995, Chapter 926), which required all state agencies, with limited exceptions, on or before January 1, 1997, to accept payments made by a credit card or a payment device.

Program participation is voluntary. Making a credit card payment one month does not require a taxpayer to pay by credit card the following month.

PAYMENT BY CREDIT CARD

(CONT.) 505.115

Most taxpayers may use authorized credit cards to make prepayments and return payments on an account. This service is not available to taxpayers who pay by Electronic Fund Transfer (EFT) and have either a Sales and Use Tax account or Prepayment of Sales Tax on Motor Vehicle Fuel Distributions (SG) account. This payment method is also not available for accounts receivable liabilities, such as audit determinations or compliance assessments.

A list of authorized credit cards is available on the Board's website under "Electronic Services."

Credit card payments can be made by using a touch-tone phone and calling the appropriate toll-free number listed on the Board's website. In March 2000, the Board began accepting credit card payments over the Internet. Taxpayers can make a payment over the Internet by visiting the Board's website at www.boe.ca.gov under "Electronic Services." The Internet option provides a link to the credit card processing vendor's website. With the return or prepayment form provided, the taxpayer will complete the payment transaction using one of the payment methods, and mark the box indicating they have paid by credit card. *Even though a taxpayer pays by credit card, the taxpayer must still complete and mail the paper return or prepayment form timely.*

A convenience fee of 2.5% of the transaction amount will be charged by the credit card processing vendor. The fee is subject to a \$1.00 minimum and is not revenue to the Board. The fee will be paid directly to the credit card processing vendor by the taxpayer and will not be seen on any IRIS screen.

For payments above \$100,000, taxpayers will need to both contact their credit card issuer for pre-approval and call the Board's credit card processing vendor. The name and telephone number of this vendor is on the Board's website.

If the tax liability is \$15,000 and over and the taxpayer does not check the box on the return to indicate payment by credit card, the Cashier Unit will process the return as an NR or PR and will provide notification to the district (via e-mail) that the taxpayer has not paid. Districts should review PAY BA for the credit card payment. If no payment is found and the taxpayer states that they paid by credit card, the district should contact RAS to have the payment traced.

Although taxpayers must call the credit card processing vendor's toll free number to make credit card payments, general questions regarding this program will be handled by the Customer and Taxpayer Services Division (CATS). The current toll-free number for CATS is on the Board's website. Account specific inquiries regarding credit card payments will be referred to the Return Analysis Section (RAS) Support Unit. General information and frequently asked questions can also be found on the Board's website at www.boe.ca.gov.

SUPPLEMENTAL OR AMENDED RETURNS

505.120

Taxpayers should be instructed to file supplemental or amended returns when they discover an error was made on the return originally filed for a period. Photocopies of original returns should be used whenever possible with corrected figures entered to the side of the original figure in a different color than the original figures. A cover letter explaining the changes should be attached to the amended return and the notation "**AMENDED RETURN DO NOT PROCESS AS ORIGINAL**" should be written on the face of the return. A new return without the amended notation and a cover letter should never be used. If a new return is filed, it will be posted to IRIS as a duplicate return, not as an amended return.

ALTERATIONS OF RETURNS BY BOARD EMPLOYEES**505.130**

Under no circumstances should a Board employee alter a return or any other form or document after it has been signed and delivered to the Board by the taxpayer.

**RETURNS WITH PAYMENTS DIRECTED TO
ANOTHER STATE AGENCY IN ERROR****505.140**

Other state agencies sometimes receive remittances intended for the Board and, conversely, the Board may receive remittances actually intended for other state agencies. In both circumstances, the agency to whom the payment is misdirected will try to send the payment to the correct agency. The Board will redirect all types of payments to the correct agency, including EFT and credit card payments. The amounts for misdirected EFT and credit card payments will be remitted to the correct agency by check.

Remittances intended for the Board and ultimately received by it after having been misdirected to another state agency will be regarded as timely if postmarked or if received by the other state agency on or before the due date of the tax. Under such circumstances, penalty and interest will not apply.

FLOOR STOCK TAX RETURNS**505.150**

Floor stock tax returns are issued when an excise tax rate has been increased and the increase must be collected for unsold inventory on which tax was paid at the prior rate. Taxes affected are generally fuel taxes, alcoholic beverage taxes, and cigarette and tobacco product taxes. Most of the excise taxes are collected at the manufacturer or distributor level, but a rate increase also applies to any inventory that has not been sold to the final consumer or intermediate retailer as of the operative date of the tax. For example, when the Cigarette and Tobacco Products Tax was increased operative January 1, 1999, cigarette and tobacco product distributors and sales tax retailers were responsible for reporting the increased amount of tax on inventory that was still unsold as of that date.

Generally, those taxpayers who are responsible for reporting the additional tax are identified by the respective headquarters units responsible for administering the tax. However, district offices will have the ability to identify and issue returns to retailers not identified by the headquarters units.

Because each floor stock tax may differ, districts should follow the guidelines or operations memo issued for a specific floor stock tax. See also CPPM 292.000.

SALES AND USE TAX RETURNS AND PREPAYMENTS 510.000

REPORTING PERIODS OF RETURNS 510.010

The Sales and Use Tax Law provides that returns are due and payable either:

- Quarterly. (RTC section 6452.)
- Quarterly with prepayment. Upon notification by the Board, accounts with an average tax measure exceeding \$17,000 per month will be placed on a quarterly prepayment basis. These accounts are required to make two monthly prepayments per quarter in addition to the regular quarterly return. (RTC section 6471) See CPPM 510.025 for due dates.
- Other than quarterly periods. Taxpayers may be required upon notification to file returns monthly, annually or for other fiscal periods. (RTC section 6455.)

DUE DATES OF RETURNS 510.015

Accounts reporting quarterly must file and pay within one month following the close of the reporting period.

Accounts reporting monthly must file and pay within one month following the close of the reporting period.

Accounts reporting on a calendar or fiscal yearly basis must file and pay within one month following the close of the reporting period. Whenever a calendar or fiscal yearly reporting account closes out before the end of the reporting year, a closing return must be filed on or before the last day of the month following the close of the quarterly period in which the business was discontinued.

Returns for temporary accounts must be filed on or before the last day of the month following the month in which the last sale took place.

PENALTY AND INTEREST FOR FILING RETURNS OR PAYMENTS LATE 510.020

Persons who file late returns or payments under the Sales and Use Tax Law must pay a penalty of 10 percent of the tax. Interest also applies at the modified adjusted rate per month, or fraction thereof, established pursuant to RTC section 6591.5, from the date on which the tax or the amount of tax required to be collected became due and payable to the state until the date of payment. Although there are separate 10 percent penalties for late payment and for late filing, effective January 1, 1997, the maximum penalty that can be imposed on any one return is 10 percent. See Exhibit 1 for rates and computation method.

DUE DATES AND AMOUNTS DUE FOR PREPAYMENT RETURNS 510.025

First, Third and Fourth Quarters

For the first, third and fourth calendar quarters, the first prepayment is due on or before the 24th day of the month following the first month of the quarter. The second prepayment is due on or before the 24th day of the month following the second month of the quarter.

The taxpayer must pay not less than 90 percent of the taxpayer's combined state and local sales and use tax liability for that month, or an amount equal to one-third the measure of tax liability reported on the sales and use tax return filed for the corresponding quarterly period of the previous year, multiplied by the state and local tax rate in effect during the month for which the prepayment is made, provided the taxpayer or the taxpayer's predecessor was in business during the entire quarter.

DUE DATES AND AMOUNTS DUE FOR PREPAYMENT RETURNS**(CONT.) 510.025****Second Quarter**

The first prepayment of the second quarter is due on or before the 24th day of the month following the first month of the quarter. The taxpayer must pay not less than 90 percent of the taxpayer's combined state and local sales and use tax liability for that month, or an amount equal to one third the measure of tax liability reported on the sales and use tax return filed for the corresponding quarterly period of the previous year, multiplied by the state and local tax rate in effect during the month for which the prepayment is made, provided the taxpayer or the taxpayer's predecessor was in business during the entire quarter.

The second prepayment of the second quarter will be for the period May 1 through June 15, and is due on or before June 24. The taxpayer is required to pay either:

An amount equal to 90 percent of the combined state and local sales and use tax liability for May, plus 90 percent of the amount of state and local sales and use tax liability for the first 15 days of June,

OR

One hundred thirty-five (135) percent of the tax liability for May,

OR

Fifty (50) percent of the tax liability reported on the sales and use tax return filed for the corresponding quarterly period of the previous year, multiplied by the state and local tax rate in effect during the months for which the prepayment is made, providing the taxpayer or the taxpayer's predecessor was in business during the entire quarter.

PENALTY FOR FILING PREPAYMENT FORMS LATE**510.030**

Persons who make a prepayment after the due date but before the due date for the quarterly return must pay a penalty of 6 percent of the amount of the prepayment.

If the failure to make a prepayment is due to negligence or disregard of the law, a penalty of 10 percent of the deficiency is due as provided in RTC section 6478.

Except for cases of negligence or intentional disregard, persons who fail to make any prepayment prior to the normal due date of the quarterly return, but file a timely sales and use tax return and payment for the quarter, will be assessed a penalty of 6 percent of the required prepayment amount of the tax liability, as prescribed in RTC section 6477, for the period for which the prepayment was due. These penalties are not cumulative; only one penalty will apply.

If prepayment penalties are relieved, a taxpayer is still liable for interest from the date on which the prepayment would have been due until the date of payment. See RTC section 6592.5.

ELECTRONIC FUNDS TRANSFER (EFT) PREPAYMENTS**510.035**

Persons who qualify for EFT payments remit their prepayments electronically and are not required to file a prepayment form. Persons filing through EFT are not sent prepayment forms. Due dates for EFT sales and use tax prepayments are the same as set forth in CPPM 510.015 and 510.025.

ELECTRONIC FUNDS TRANSFER (EFT) PAYMENTS**510.040****Criteria for EFT Payments**

Any person whose estimated tax liability averages \$20,000 or more per month, as determined by the Board, shall remit amounts due by EFT. Effective January 1, 2001, this criterion applies to persons who file returns with the Special Taxes Division.

Any person who collects use tax on a voluntary basis is not required to remit amounts due by EFT.

Any person whose estimated tax liability averages less than \$20,000 per month, or any person who voluntarily collects use tax, may elect to remit amounts due by EFT with the approval of the Board. The election will be operative for a minimum of one year.

Note: Even though EFT payers transfer funds electronically, they are still required to file hard copies of the sales and use tax or special taxes return.

The EFT Group in the Return Analysis Section handles EFT registration, taxpayer questions, correspondence, and any special processing for EFT accounts. Inquiries that cannot be handled by district offices should be referred to this Group.

EFT Payment Due Dates

Due dates for EFT payments on sales and use tax returns are the same as set forth in CPPM 510.010 and 510.015. Questions regarding due dates for special taxes should be referred to the EFT Group.

Taxpayers who qualify as EFT payers must make EFT payments on any returns due subsequent to qualifying. For example, if a taxpayer is informed that EFT payments for sales and use tax must be made starting January 1, the taxpayer must use EFT to pay the liability for the return due on January 31, even though the liability was incurred prior to the qualification date.

For an electronic payment to be timely, the transferred funds must settle (transfer) into the Board's bank account by the first banking day following the tax due date.

Penalties Applicable to EFT Accounts

Any person remitting payments by EFT who fails to file a return on or before the due date of the return shall pay a penalty of 10 percent of the amount of the taxes due, exclusive of prepayments, for the period for which the return is required.

Any person required to remit taxes by EFT who remits those taxes by any means other than appropriate EFT shall pay a penalty of 10 percent of the taxes incorrectly remitted.

Any person required to remit by EFT who fails to timely remit taxes due shall pay a 10 percent penalty of the amount of those taxes.

Effective January 1, 1997, if more than one of the above penalties apply to a reporting period, the combined penalties cannot exceed 10 percent of the taxes due and payable on any one return.

Effective January 1, 2000, any person who does not make a timely payment of prepayment amounts by EFT, and/or pays the prepayment amount by check, is subject to a maximum penalty of 6 percent on the amount. Between January 1, 1997 and January 1, 2000, the penalty for remitting prepayments by other than EFT, was 10 percent and the maximum penalty could be 16 percent.

ELECTRONIC FUNDS TRANSFER (EFT) PAYMENTS

(CONT. 1) 510.040

The following table summarizes the application of EFT penalties:

Description		Percent	Effective Dates	
			Start	End
Returns:	Late Payment	10 %	January 1, 1992	December 31, 1996
	Late Filing of Return	10 %		
	Payment by Other than EFT	10 %		
	Maximum Penalty	30 %		
Returns:	Late Payment	10 %	January 1, 1997	Present
	Late Filing of Return	10 %		
	Payment by Other than EFT	10 %		
	Maximum Penalty	10 %		
Prepayments:	Late Payment	6 %	January 1, 1997	December 31, 1999
	Payment by Other than EFT	10 %		
	Maximum Penalty	16 %		
Prepayments:	Late Payment	6 %	January 1, 2000	Present
	Payment by Other than EFT	6 %		
	Maximum Penalty	6 %		

For more detailed information on EFT payments and interest and penalty provisions, refer to Publication 80, *Electronic Funds Transfer Program*, and Publication 75, *Interest and Penalty Payments*.

Refund of Duplicate Payments or Overpayments

When a taxpayer makes a duplicate/erroneous payment or overpayment, the taxpayer must file a claim for refund with the Board. The EFT Group in the Return Analysis Section processes claims for remittances up to \$50,000 and for *whole* remittances exceeding \$50,000. The Refund Section processes refund claims for a *part* of a remittance that exceeds \$50,000. Refund payments may take the form of an ACH reversal or, if a reversal is not possible, a check will be issued.

On September 1, 1999, the Board delegated authority to the Executive Director to approve claims for refund in excess of \$50,000 in cases involving a duplicate or erroneous remittance that is created by a taxpayer through the EFT program. When the amount for which a claim is being made exceeds \$50,000, the following procedures must be followed.

EFT Group — Return Analysis Section — Claims for the refund of a **full remittance** involving duplicate or erroneous overpayments in excess of \$50,000 that were transmitted via EFT are to be directed to the Supervisor of the EFT Group in the Return Analysis Section. The taxpayer's written request will be reviewed along with all supporting documentation to verify the occurrence of the duplicate or erroneous remittance. Once verified, a memo addressed to the Executive Director requesting approval to expedite the refund will be prepared for the signature of the Deputy Director, Administration Department. This memo will include a brief description of the reason for the erroneous remittance and a summary schedule of the amounts involved. The Executive Director's reply will be returned to the Deputy Director making the request.

ELECTRONIC FUNDS TRANSFER (EFT) PAYMENTS

(CONT. 2) 510.040

After receiving the Executive Director's approval, a refund is to be made by paper check or through the use of the Automated Clearing House (ACH) reversal process. The taxpayer's accounts receivable payment history must be corrected to reflect the refund. Whenever possible, the ACH reversal process will be used to return the remittance. This procedure may be used for an ACH credit transaction or an ACH debit transaction that is beyond the seven day window allowed for the taxpayer to initiate a reversal with their financial institution. In cases where the ACH reversal process is not available, the Cashier Unit will be informed of the erroneous remittance. The Cashier Unit will then request the Accounting Section to issue a check for the remittance to the taxpayer from the appropriate account.

In order to minimize any inconvenience to the taxpayer, all reasonable steps will be taken to expedite the processing of the refund. All written correspondence between staff regarding such matters will be hand-delivered when possible and preceded with an e-mail explaining the situation and required action. All parties involved in the processing of the refund should be notified immediately upon approval. All efforts will be made to ensure that the taxpayer receives the refund within five (5) business days of receipt of the refund request.

Refund Section — Sales and Use Tax Department — Claims for refunds of a **portion of a remittance** involving erroneous overpayments in excess of \$50,000 that were transmitted via EFT are to be directed to the Refund Section of the Sales and Use Tax Department. The Refund Section will review all supporting documentation and verify the erroneous overpayment. Once verified, a memo addressed to the Executive Director requesting approval to expedite the refund will be prepared for the signature of the Deputy Director, Sales and Use Tax Department. This memo will include a brief description of the reason for the erroneous remittance and a summary schedule of the amounts involved.

If approved by the Executive Director, the Refund Section will be responsible for initiating the refund in the most expeditious manner. All documentation and notification of approvals for the refund will be maintained in the same manner as set forth for refunds processed by the EFT Group.

Credit interest will be considered in accordance with Regulation 1703(b)(5).

Questions about EFT refunds should be addressed to the Electronic Fund Transfer Group of the Return Analysis Section, or to the Refund Section.

USE TAX RETURN DOES NOT CONSTITUTE SALES TAX RETURN

510.045

A person who incurs sales tax liability, but who files only a Combined State and Local Consumer Use Tax Return, is not considered to have filed a sales tax return. For example, a person files a use tax return and pays the amount of use tax due, but also incurs a sales tax liability. The person does not report or pay the sales tax liability. Penalty and interest will be added to all amounts of sales tax due whether subsequently reported on returns or established by billing orders. See RTC section 6452, which provides that returns must be filed for sales tax and use tax.

TAX ACCRUED PRIOR TO DATE OF APPLICATION FOR PERMIT**510.050**

When an applicant has engaged in business prior to making application for a seller's permit, the designated reporting basis becomes effective on the actual starting date of the business. Staff should not use an alternate reporting basis for sales made prior to obtaining a permit unless there is evidence that the taxpayer would qualify for the alternate basis. For example, a quarterly taxpayer should not be placed on an annual basis for sales made prior to registration unless documentation indicates that the taxpayer qualified as an annual filer for the unregistered periods. All delinquent tax liability should be determined and collected at the time the application is taken.

If an account is placed on a monthly reporting basis, penalty and interest for prior delinquent periods are computed as if the account was on a quarterly reporting basis. For example, if an application for a seller's permit is made on July 15 of a given year with a starting date of January 15 of the same year, the permit holder is required to file monthly returns for January through May. Penalty and interest charges will apply as of May 1 for January, February and March return liability. No delinquency charges will apply to April and May returns provided payment is made on or before July 31 of the same year. The returns should be clearly identified with the notation "Tax accrued prior to date of application" to prevent the assessment of additional charges when the returns are processed in headquarters.

If compelling reasons make it impractical to acquire signed tax returns from the applicant, a Compliance Assessment may be used to clear the delinquent periods involved. The same rules as stated above will apply insofar as penalty and interest charges are concerned. See CPPM 540.170 for information about Compliance Assessments.

PRE-COLLECTION OF RETAIL SALES TAX ON FUEL — "SG" ACCOUNTS**510.060**

Sellers of motor vehicle fuel, diesel fuel, and aircraft jet fuel who accept resale certificates for fuel sold must collect a prepayment of the retail sales tax on each gallon of fuel sold (see CPPM 285.000). These sellers must file form BOE-401-DB monthly, reporting the gallons removed, entered, or sold and pre-collected. The due date for "SG" returns is the last day of the month following the month in which the fuel was removed, entered, or sold.

CONSOLIDATED RETURNS**510.070**

A person who operates several places of business under the **exact same ownership** may be allowed to report sales for all locations on one return, rather than holding a separate permit for each location. Consolidated seller's permits are issued in these instances. (See CPPM 245.000.)

The holder of a consolidated permit, must also complete and attach to the return form BOE-530, a "Schedule C — Detailed Allocation by Suboutlet of Uniform Local Sales and Use Tax," showing the amount of local tax allocated to each separate location according to local taxing jurisdictions identified by area code. However, if all of the locations are situated in one local taxing jurisdiction, the supplemental schedule is not required.

Consolidated permit holders who have operations away from their permanent place of business, such as contractors and vending machine operators, are required to allocate the local tax for these operations on Schedule B or Form BOE-531, in addition to filing Form BOE-530. Holders of permanent permits that sell at temporary locations may report the local tax on Form BOE-530-B. For more information on local tax allocations, see Exhibit 5.

BOE-401-EZ SALES AND USE TAX RETURNS

510.075

The BOE-401-EZ, Sales and Use Tax Short Form was developed to provide simplified reporting for sales tax accounts that make all their sales in a single taxing jurisdiction (i.e., all taxable sales and use are subject to the total tax rate in effect at the taxpayer's business location). Taxpayers who meet certain requirements may file the BOE-401-EZ.

The BOE-401-EZ is printed and addressed on the Board's laser printer and mailed with a "worksheet" duplicate copy. Instructions are on the back of the worksheet. Total tax is computed by determining taxable measure and multiplying the measure by the combined tax rate in effect at the business location. The combined tax rate is printed on the return.

BOE-401-EZ Filing Requirements:

- All of the taxpayer's taxable sales and use of tangible personal property must be subject to the total tax in effect at their business location.
- Only single outlet accounts and accounts with multiple outlets in the same taxing jurisdiction qualify for "EZ" reporting.
- "EZ" filers cannot sell fuel. Fuel sellers must file BOE-401-GS, which includes a Schedule G for claiming sales tax prepayments on fuel purchases. (See CPPM 510.060.)
- "EZ" filers cannot sell automobiles, boats or aircraft. (Automobile, boat or aircraft sellers must collect transactions (sales) and use tax based on the address where the automobile, boat or aircraft is registered. These sellers require a return that includes a Schedule A for reporting district taxes.)
- "EZ" filers cannot make partially exempt sales to aircraft common carriers (Regulation 1805) or engage in fixed-priced contracts and leases. Such transactions require local tax adjustments that cannot be made on the BOE-401-EZ return.
- "EZ" filers cannot be on a prepayment reporting basis and cannot claim sales tax paid to other states. The BOE-401-EZ does not provide a means for claiming these credits.
- "EZ" filers may only claim sales for resale, nontaxable sales of food products, sales to the United States Government, nontaxable labor, and sales in interstate or foreign commerce as exempt transactions. Any other exempt transactions cannot be claimed on the BOE-401-EZ.

Assigning and deleting the "EZ" Return code from an Account

- Taxpayers that qualify and request to file on the BOE-401-EZ should be assigned the Return Type code "2." Taxpayers do not need to sign any request form.
- Taxpayers who are coded for BOE-401-EZ filing but no longer qualify must have the Return Type code "2." deleted from their registration record using the on-line account maintenance function.
- Taxpayers coded for "EZ" filing must use the regular sales and use tax return, BOE-401-A, for any reporting period for which they need to report tax at different rates or claim exemptions not allowed on the BOE-401-EZ.

SCHEDULES ACCOMPANYING RETURNS OF CERTAIN TAXPAYERS**510.080**

To enable the Board to make proper allocation of local sales and use tax to cities and counties under the Bradley-Burns Uniform Local Sales and Use Tax Law, some taxpayers must submit a supplemental Schedule B or Form BOE-531, Detailed Allocation by County of 1% Uniform Local Sales and Use Tax, with their returns. Schedule B provides for a breakdown of the tax to those counties that are entitled to receive it.

Supplemental Schedule B is required of the following types of taxpayers:

- Auctioneers.
- Retailers under RTC section 6015.
- Vending Machine Operators.
- Construction Contractors.
- Accounts making sales shipped from out-of-state locations with title passing out of state.
- Sellers who are making purchases ex-tax for use at locations for which a seller's permit is not required.
- Lessors of motor vehicles. These lessors must enter on Schedule B the total local tax reported on Schedule F, Detailed Allocation of 1% Uniform Sales and Use Tax-Leased Vehicles.

See Exhibit 5 for information about which local tax allocation schedules should be filed by specific types of taxpayers.

**CONSUMER USE TAX RETURNS (TAXABLE ACTIVITY TYPES SA, SB, SP, SI):
VEHICLES/MOBILEHOMES, VESSELS, AIRCRAFT, CUSTOMS**

510.090

The Consumer Use Tax Section (CUTS) administers the Sales and Use Tax Law as it applies to three major categories of transactions:

- The purchases of vehicles and mobilehomes made from persons not licensed or certificated pursuant to the Vehicle Code or Health and Safety Code.
- The purchases of vessels and aircraft from a person not required to hold a seller's permit by reason of the number, scope, and character of the person's sales of the same.
- Purchases made in foreign countries and hand carried through U.S. Customs by California residents.

Consumer Use Tax returns used specifically for CUTS' programs are:

- BOE-401-CSA for Vehicles/Mobilehomes.
- BOE-401-CSB for Vessels.
- BOE-401-CSP for Aircraft.
- BOE-401-CSI for Customs Declarations.
- BOE-1169-B for Vessels (cover letter/return/current due date).
- BOE-1169-P for Aircraft (cover letter/return/current due date).
- BOE-1381-B for Vessels (cover letter/return).
- BOE-1381-P for Aircraft (cover letter/return).
- BOE-1166 for Customs Declarations (cover letter/return).

In addition to the above forms, consumers may report use tax due on vessels and aircraft by using the tear-out portions of Publications 79 and 79A.

RETURNS

CONSUMER USE TAX RETURNS (TAXABLE ACTIVITY TYPES SA, SB, SP, SI):

VEHICLES/MOBILEHOMES, VESSELS, AIRCRAFT, CUSTOMS

(CONT.) 510.090

These returns are not to be confused with the Consumer Use Tax return BOE-401-E sent to purchasers who *regularly* incur use tax liabilities and have an SU account with the Board.

Procedures for the administration of liabilities by CUTS are detailed in CPPM Chapter 8, scheduled for completion in December 2001. Until the completion of Chapter 8, these procedures can be found in Exhibit 4.

USE TAX INFORMATION RETURNS

510.100

Persons Required to File

Per RTC section 7055, in the administration of the use tax the Board may require the filing of reports by any person or class of persons having in his or their possession or custody information relating to sales of tangible personal property the storage, use, or other consumption of which is subject to the tax.

Due Date and Content

The returns must be filed quarterly on or before the last day of the month following the close of each calendar quarter. The returns must show:

1. The name and address of each purchaser.
2. Description and sales price of property.
3. Date the order is taken.
4. Approximate date the property will be delivered to the purchaser.

The persons soliciting the orders do not incur any tax liability and, therefore, no tax is paid with these returns. Their purpose is to supply the Board with information relative to persons who incur use tax liability. The filing of information returns is required by RTC section 7055 and Regulation 1687, *Information Returns*.

MAIL REMITTANCES

510.110

The effective date of payment is the postmark date. If the check, money order or other negotiable instrument was dated prior to the postmark date, the effective date will be the postmark date. However, if there is correspondence or other dated information not under the control of the taxpayer, such as a registered mail receipt, then that date will be considered the effective date of payment.

Payments delivered by recognized delivery services, such as Federal Express, will be treated in the same manner as payments received through the U.S. Postal Service.

POSTAL METER DATES

510.120

Since postal meters can be controlled by the taxpayer, postal meter dates do not have the same significance as post office postmark dates. When a postal meter date and a post office postmark date both appear on an envelope, the post office postmark date is the determining date. If only a postal meter date is present, that date will become the effective date.

REMITTANCES AND RETURNS RECEIVED WHEN OFFICES ARE CLOSED

510.130

Remittances and returns which are slipped under the door or through the mail slot of any Board office after closing time and found upon opening the office on the next business day, will have an effective date of the last business day preceding the day on which the office is opened and the documents found.

PAYMENTS MAILED BUT NOT RECEIVED**510.140**

If a remittance is placed in the mail but is not received by the Board, a replacement remittance mailed after the due date may be considered as having been received as of the date of mailing the original remittance, provided that person who mailed the remittance furnishes satisfactory proof that the original remittance was mailed timely. Satisfactory proof must be provided through a declaration of timely mailing as described in CPPM 510.150.

**CANCELLATION OF PENALTY AND
INTEREST ASSESSED ON A LATE MAILING****510.150**

For staff to consider a cancellation of penalty and interest charges assessed because of apparent late mailing of a return and/or payment, the person who deposited the return and/or payment in the mail must file a declaration of timely mailing (DTM) under penalty of perjury. The DTM must state that the original return and/or payment for the period in question was:

- Properly addressed, and
- Delivered timely to a United States Postal Service facility or other mail delivery service vendor (for example, Federal Express, Mail Boxes, etc.), and
- Mailed with sufficient postage.

Form BOE-135, Declaration of Timely Mailing, is available for these requests. A declaration may also be filed in letter form as long as it contains all the required elements and includes the statement that the declaration is being filed under penalty of perjury.

If received in the district, the document should be transmitted to headquarters Return Analysis Section with the recommendation of a compliance supervisor. If district staff believe that the facts in the declaration are incorrect, the district recommendation should provide an statement of why the facts are thought to be incorrect.

EFFECT OF HOLIDAYS ON DUE DATES**510.160**

Legal holidays include any day so appointed by the President of the United States or by the Governor of this state.

If a legal holiday falls on a Sunday, the following Monday is then a legal holiday and the tax can be paid on Tuesday without penalty or interest if the tax due date was on Saturday, Sunday or Monday. For a list of legal holidays, see Exhibit 3.

EFFECTIVE DATE OF PAYMENT FOR RETURNS — DECISION TABLE

510.170 |

CONDITION						
Due Date of Payment Falls on Weekend or Legal Holiday		Y	Y			
Payment Received in Postmarked Envelope	Y					
Payment Received Through Mail Slot (Not Mailed) Prior to 8 A.M. First Business Day After Due Date		Y				
Payment Received in Any Manner (Except U.S. Mail or Other Commercial Delivery Service) On or Before Due Date			Y	Y		
Payment Received For in Field or Office First Business Day After Due Date			Y		Y	
Payment Received After Due date in Postal Metered Envelope						Y

ACTION - EFFECTIVE DATE IS:						
Postmark Date	X					
First Prior Business Day		X	X			
Date Payment Received in Office or Field			X	X	X	
Postmark Date Takes Precedence, if Available						X

**EFFECTIVE DATE OF ACCOUNTS
RECEIVABLE PAYMENTS — DECISION TABLE**

510.180

CONDITION — CHECK OR MONEY ORDER IS:						
Dated Prior to Postmark Date	Y					
Dated Same Day as Postmark Date		Y				
Check Received Through Mail Slot (Not Mailed) Prior to 8 A.M.			Y			
Received in District Office (Not Mailed) After 8 A.M.				Y		
Result of Enforced Collection Action by Levy or Warrant						Y

ACTION — EFFECTIVE DATE OF PAYMENT IS:						
Postmark Date	X	X				
First Prior Business Day			X			
Date Payment Received in District Office				X		
Date Funds Became Board Property						X

Note: For payments received by entities on behalf of the Board, such as by law enforcement agencies under warrants or by courts under restitution agreements, the effective payment date is the day on which the entity receives the payment. For example, if a law enforcement agency collects a sales and use tax or special tax liability pursuant to a warrant, the effective date of payment is the day on which the law enforcement agency collects the funds. See CPPM 742.020.

STATUTORY DATE FILING ON SATURDAY, SUNDAY, OR HOLIDAYS**510.190**

Certain actions by taxpayers and the Board are limited by statutory periods. This section is concerned with what constitutes timely action when the last day for action falls on a Saturday, Sunday or holiday with respect to:

- Issuing determinations, RTC section 6487.
- Waiving the statute of limitations, RTC section 6488.
- Filing petitions for redetermination, RTC section 6561.
- Filing claims for refund, RTC section 6902.
- Filing suits for refund, RTC sections 6933 and 6934.

Government Code section 6707 states:

When the last day for filing any instrument or other document with a State agency falls upon a Saturday, Sunday or holiday, such act may be performed upon the next business day with the same effects as if it had been performed upon the day appointed.

SPLIT RETURNS IN BANKRUPTCY CASES**510.200**

A return for a period that includes liabilities incurred during both a bankruptcy period and a post-bankruptcy period must be split to accurately record those amounts that are collectible. The date on which the petition is filed is included in the post-bankruptcy period. For general information on bankruptcy filings and appropriate collection actions, see CPPM 754.000. Information on splitting returns is in CPPM 754.055.

EXTENSIONS FOR FILING RETURNS

535.000

EXTENSIONS IN GENERAL

535.010

For good cause, the Board may grant extensions for making any returns or payments due under the revenue laws that it administers. This authority is given by RTC section 6459. This authority is also provided for other revenue programs administered by the Board. Maximum extensions that may be granted are one month under all of the laws. Any request for an extension must be filed with the Board within or prior to the period for which the extension may be granted. Requests filed at any other time cannot be considered regardless of the basis for the request. In requesting an extension, the taxpayer need not use any particular form, but the request must be in writing and must state the reason for the request. Although not required, a taxpayer may file on Form BOE-468. Form BOE-735, Request for Relief from Penalty, is also available for these requests.

Any person to whom an extension is granted must pay, in addition to the tax, interest at a rate established by RTC section 6591.5. If the tax is paid within the extension period, the delinquency penalty is not applicable. If an extension is granted and tax is not paid within the extension period, the return and payment are considered delinquent and, in addition to the interest, the delinquency penalty must also be added.

AUTHORITY FOR GRANTING EXTENSIONS

535.020

Only the headquarters Return Analysis Section has the authority to grant or deny extension requests for all sales and use taxes. Extension requests for all other taxes are granted or denied by the Special Taxes Department. Every request received in a district office or by a representative in the field must be transmitted to headquarters for consideration and decision.

The districts have a responsibility to make appropriate recommendations to headquarters of every extension request that they receive and transmit, and should do so in order to help guide headquarters in reaching a decision. If district personnel have knowledge that the request is not well founded, they should so report.

REASONS FOR GRANTING EXTENSIONS

Extensions may be granted only for good cause. The following are some of the reasons that constitute or illustrate what is meant by good cause:

1. Death or serious illness of the taxpayer.
2. Death or serious illness of a member of the taxpayer's family or the person who prepares returns.
3. Catastrophes such as fire, flood, etc.
4. Bankruptcy or assignment for benefit of creditors.
5. A legal attachment placed against the taxpayer's bank account by a person, firm or agency other than the Board and without the taxpayer's knowledge.
6. Business emergencies other than those relating to financial difficulties.
7. Insufficient time to compile the return because of the necessity to assemble data from distant points or to post transactions.
8. Misunderstanding regarding a change of reporting basis.
9. Lack of qualified help necessary to compile the return in the required time due to employee terminations or strike.
10. Failure of an inexperienced employee to prepare and mail the return in the time required.
11. Return mislaid, lost or inadvertently filed with taxpayer's records and discovered too late for timely filing.
12. Inadvertent failure to enclose remittance with return.
13. Returned to sender by the post office because of insufficient postage.
14. Return and payment mailed to a federal, city or county agency in error. A timely return and payment mailed to another state agency in error does not require a request for an extension even though the return and payment are sent to the Board after the due date.
15. Absence of the person responsible for preparing the return or signing the check for a period of time sufficient in length to interfere with the timely filing of the return.

This is not a complete list of reasons for which extensions may be granted; other circumstances may develop which would also warrant an extension being granted. Lack of funds with which to make payment is never considered cause for granting an extension. Neither will an extension be granted if the taxpayer is delinquent for a previous period or owes a delinquent balance.

EXTENSIONS — STATE VENDORS / DELAYED STATE BUDGET

535.035

Each year the state is mandated to adopt a budget on or before June 30th. When this does not occur, the state is unable to pay its vendors until a budget is adopted. Under these circumstances some state vendors may be unable to timely file their sales tax returns or make their tax payments. Revenue and Taxation Code section 6459(b) allows the Board to grant extensions for filing and paying sales tax returns where:

- A state budget has not been adopted by July 1; and
- The taxpayer requesting the extension is a creditor of the state who has not been paid by the state due to the lack of a budget.

Extensions granted under section 6459(b) expire on the last day of the month in which a budget is adopted or one month from the due date of the return or prepayment, whichever is later. Taxpayers receiving this extension are not liable for penalties if they file and pay their taxes within the extension period. While interest applies from the date on which the tax would have been due without the extension until the date of payment, **no interest is due on that portion of the payment equivalent to the amount due to the taxpayer by the state on the due date of the payment.** The following examples illustrate the application of interest for extensions granted under section 6459(b).

	Taxpayer A	Taxpayer B
Taxable Sales to the State	\$ 200,000	\$10,000
Sales Tax (7.25%)	(a) 14,500	(a) 725
Amount State Owes Taxpayer (including tax)	\$ 214,500	\$10,725
Taxable Sales to Other Than the State	\$ 10,000	\$200,000
Sales Tax (7.25%)	(b) 725	(b) 14,500
Total Sales Tax (a+b)	\$ 15,225	\$ 15,225

Taxpayer A and Taxpayer B both receive an extension under RTC section 6459(b) and pay their taxes within the extension period. Taxpayer A would not incur any interest charges since the amount the state owed the taxpayer (\$214,500) was greater than the amount the taxpayer owed the state (\$15,225). Taxpayer B would incur interest charges on \$4,500 since the taxpayer owed the state a greater amount (\$15,225) than what the state owed the taxpayer (\$10,725).

The Return Analysis Section (RAS) is responsible for processing extension requests and for performing adjustments to penalty and interest amounts resulting from approved requests.

EXTENSION GRANTED STATE AGENCIES

535.040

The Board has granted to the Department of Finance a blanket extension of one month for all state agencies, to provide for cases where delay is unavoidable. Interest will not be assessed if the state agency files its sales tax or use tax claim with the State Controller on or before the due date of the tax return.

EXTENSION OF TIME GRANTED TO CERTAIN POLITICAL SUBDIVISIONS

535.050

Because of unavoidable delays in obtaining signatures in approval of claims and issuance of warrants by various boards and public officers, a general one-month extension, pursuant to RTC section 6459, is granted to all municipalities, school districts and other political subdivisions of this state, similar to that granted to departments of the state government.

PROCESSING OF RETURNS IN DISTRICT OFFICES

540.000

CURRENT RETURNS

540.010

Under the provisions of RTC section 6452, a taxpayer may file a return with any office of the Board of Equalization. For administrative efficiency, the filing of current returns (other than final returns) in the district, branch or area offices (district offices) should be kept to a minimum. Taxpayers should be encouraged to send returns directly to Sacramento in the envelope furnished with the return.

PAYMENTS RECEIVED IN DISTRICT OFFICES

540.020

Any payment received with a return will be verified against the amount due on the return. All remittances (i.e. cash, checks, money orders) received in the district offices either in person or by mail will be processed online by the cashier and deposited in the bank locally. **Opened and unprocessed** mail remittances held in the office overnight, or checks received in the field must be manually endorsed "For Deposit Only, Board of Equalization" within the top half-inch of the endorsement area.

DATING RETURNS RECEIVED IN DISTRICT OFFICES

540.030

Any return received over the counter or in the field must show the date of receipt in the space marked "RE" on the return. See Exhibit 2.

LOCATION OF RECEIPT NUMBER ON RETURN

540.040

When it is necessary to issue a receipt, the receipt number must be shown along the left edge of the return, in the "REC. NO." space in red. See Exhibit 2.

EFFECTIVE DATE OF PAYMENT ON RETURNS

540.050

The Board's return processing program can identify **late** sales and use tax return payments, calculate correct penalty and interest due, and compare the calculated amounts to any delinquency charges paid. The Return Analysis Section can then flag differences for review. This timesaving computer process is possible only if effective dates of payment are keyed into the system during the initial entry process. The following payments do not need effective dates:

- Returns with only timely payments, whether full or partial.
- Prepayments of sales tax on motor vehicle fuel forms.

All sales and use tax returns provided by the Board have a preprinted box reserved for the effective date. When **late** sales and use tax returns are received in headquarters or district offices, Cashier Unit staff or district office staff will determine the effective date of each late return payment and enter that date in the preprinted box on the form. Staff should also include the effective date when a return is received timely, but the taxpayer has included penalty and interest. The following procedures will be followed:

- On computer addressed sales and use tax returns, BOE-401-A, BOE-401-DB, BOE-401-GS, BOE-401-E, and BOE-401-EZ, use the empty box at the bottom of the "Board Use Only" routing section for the effective date. The routing section is located in the upper right corner of each form.
- On BOE-1150 and BOE-1150-B, Sales and Use Tax Prepayment Forms, use the empty box at the bottom of the "Board Use Only" routing section for the effective date. The box is located in the upper right corner of each form.

EFFECTIVE DATE OF PAYMENT ON RETURNS**(CONT.) 540.050**

*If a return or form does not have a box, the effective date should be written or stamped in **red ink**.*

- Returns with both timely and late payments (i.e., a delinquent final return with timely security and a late payment collected from the taxpayer) should show the effective date of the late payment with the date of close-out noted at the bottom of the return.
- If security is applied and transmitted with a return that is delinquent on the date of closeout, the effective date of payment (date of closeout) should be entered.
- For handwritten effective dates, a number should be used for the month (9–11–01). For date-stamped effective dates, the month may be in alpha characters, for example, SEPT. 11, 2001.

ENVELOPE CONTAINING RETURN — DISPOSITION OF**540.060**

If the return is delinquent, the envelope will not be attached to the return. Instead, the postmark date or the postal meter impression date will be handwritten on the return and the envelope discarded.

In those cases where a postmark date *and* a postal meter impression date are on the envelope, *both dates* will be handwritten on the return and the envelope discarded.

In the event the postmark date and/or the postal meter impression is difficult or impossible to read, staff will use the best available date, for example, the date of the check or the date on the return.

The dates must be written in the box on the bottom left side of the return that is marked “PM.” See Exhibit 2.

Delinquent returns are subject to interest and a late filing penalty. Procedures that a taxpayer can use to request cancellation of the interest and late penalty are covered in CPPM 510.150.

OVERPAID RETURNS**540.070**

A return which has definitely been found to be overpaid will be identified with the total amount of remittance, a check mark and the letters “**OP**” entered just below the space provided for “Total Amount Due and Payable.” See Exhibit 2.

NO REMITTANCE RETURN**540.080**

Any “no remittance” return will be identified with the letters “**NR**” printed just below the space provided for “Total Amount Due and Payable.” See Exhibit 2.

PARTIAL REMITTANCE RETURN**540.090**

A partially paid return will be identified with the amount of remittance, a check mark and the letters “**PR**” entered just below the space provided for “Total Amount Due and Payable.” See Exhibit 2.

UNAPPLIED REMITTANCES

540.095

An “unapplied remittance” is a payment that cannot be matched to a taxpayer’s liability. Receipt of funds by the BOE due to accident or mistake creates an involuntary constructive trust, and the BOE, as constructive trustee, is obligated to restore the funds to the rightful owner.

Therefore, when the BOE is in possession of an unapplied remittance, two possibilities exist:

1. The taxpayer or feepayer intended the remittance to be a payment for a liability owed to the BOE.
2. The taxpayer or feepayer sent the remittance to the BOE by accident or mistake.

Staff can properly conclude that such a remittance, made payable to the BOE, represents funds that are rightfully due to the BOE and were not remitted to BOE by accident or mistake, if the taxpayer or feepayer is both:

1. Notified of a possible overpayment.
2. Given the opportunity to clarify its intent with respect to the remittance and fails to do so.

If the taxpayer or feepayer directs BOE to apply the remittance to a liability or does not respond to the inquiry letter and the remittance is applied, the taxpayer or feepayer will have six months from the date the remittance is applied in which to file a claim for refund. A notice of determination will not be created under either of these scenarios. However, the Return Analysis Section will notify the taxpayer or feepayer of the application of the remittance when it is made.

The remittance does not become a “payment” until the remittance is applied to a tax liability. The application converts the remittance to a tax payment. Therefore, credit interest cannot be allowed for the period prior to the application of the remittance because an overpayment of tax does not yet exist. Once the remittance is applied and the taxpayer or feepayer subsequently files a claim for refund that BOE grants, under RTC section 6907 (sales and use tax) and various special taxes program statutes, credit interest may be allowed for the period after the application of the remittance because an overpayment of tax has occurred.

FINAL RETURN

540.100

Any final return processed through a district office will be clearly marked “*FINAL*,” preferably with a rubber stamp entered just below the space provided for “Total Amount Due and Payable.” See Exhibit 2.

FINAL RETURN — PAID IN FULL FROM SECURITY

540.110

Whenever possible, a return paid in full from security will be sent to headquarters as a fully paid return. The return is the transmittal document of the security payment. When security is to be applied to the closing return or returns, they will be clearly marked, preferably with a rubber stamp “*SECURITY TO BE APPLIED — DATE OF CLOSEOUT*.” The closeout date should be included. This is entered just below the space provided for “Total Amount Due and Payable” to indicate that the security has been applied.

FINAL RETURN — PARTIALLY PAID FROM SECURITY**540.120**

Any return paid partially from security with the balance collected from the taxpayer will, if possible, be used to transmit both payments. If the security cannot be processed immediately, the return is to be clearly marked, preferably with a rubber stamp “*SECURITY TO BE APPLIED — DATE OF CLOSEOUT.*” The closeout date should be included. This is entered just below the space provided for “Total Amount Due and Payable” to indicate that the security has been applied. The return will be used to transmit only the partial payment from the taxpayer. When the security is ultimately applied, the security payment will be processed by the district cashier. The transmittal document will contain the same rubber stamp as used on the return.

If a return is partially paid from security and the balance is not collected, the return will be used as the transmittal document of the partial payment identified as “*PAID FROM SECURITY.*” This is entered just below the space provided for “Total Amount Due and Payable” to indicate that the security has been applied. A check mark and the letters “*PR*” will also be shown just below the space provided for “Total Amount Due and Payable” on any partial payment. See Exhibit 2.

FINAL RETURN — SECURITY AVAILABLE — CLOSE-OUT AUDIT PENDING**540.130**

If security is available, but cannot be applied to a final return because of a closeout audit and the final return is less than the amount of the security, the return will be sent as a “*NR*” return to Headquarters clearly marked as “*SECURITY TO BE APPLIED — DATE OF CLOSEOUT.*” The closeout date should be included.

When the security is ultimately applied, the payment will be transmitted on a copy of the appropriate transmittal document.

CORRESPONDENCE ACCEPTED AS RETURN**540.140**

When the return form portion of Form BOE-431-C2, Notice of Delinquency, or Form BOE-431-S2, Final Notice (the second page of each form) is received from the taxpayer and the “Return” portion is sufficiently complete, it will be accepted as a return.

Current instructions should be followed concerning the notations to be made on “*PR*” and “*NR*” returns.

When correspondence for other than Consumer Use Tax Section or prepayment accounts contains information that can be accepted as a return for an identified period, the correspondence will be processed by the district and forwarded to the headquarters Cashier Unit. See CPPM 505.090 for what constitutes a return. The applicable stamp impression will be placed in the lower right corner of the face of the correspondence.

Correspondence regarding prepayments or the Consumer Use Tax Section will be processed as a return by the headquarters Cashiers Unit. The applicable stamp impression will be placed in the lower right corner of the face of the correspondence. The correspondence will then be batched and processed the same as utility documents.

COLORED PENCIL ENTRIES ON RETURNS**540.150**

Colored pencils will not be used by the district to make entries on returns. Their use is reserved exclusively for headquarters’ units. Some examples of this use are headquarters Cashier — Red; Account Analysis Section — Green; Return Analysis Section — Purple.

Lead pencil and any color ballpoint or fiber tipped pen, may be used by the district.

Entries made by the district offices should be restricted to those required for processing.

SPACE RESERVATIONS ON RETURNS**540.160**

In the headquarters return processing function, various areas of the returns are reserved for posting perforations and stamps. The location of spaces reserved for Headquarters' use are in the shaded areas of the return forms. No entries should be made by the district in these areas unless otherwise instructed (see CPPM 540.050). The district may place its entries in any areas on the return not reserved for Headquarters' use.

COMPLIANCE ASSESSMENT PROCEDURE**540.170****General Policy**

All permit holders are required to file and pay tax returns. Staff should make every effort to obtain the tax return on a voluntary basis. If the tax return is not filed within a reasonable amount of time, the district should consider whether it is appropriate to issue a deficiency determination by use of the Compliance Assessment (CAS) procedure. The CAS procedure is also used to issue a determination on the sale of fixtures and equipment when an account is closed-out.

General Procedure

In IRIS, the CAS procedure satisfies a Financial Obligation (FO) by filling it with Revenue. The FO types used in this procedure are Periodic (PER), which is generally set up when a return is mailed to a registered taxpayer, or One-Time (OTM), which is set up for obligations falling outside a regular reporting period. When a CAS is prepared for a periodic FO, IRIS automatically clears the delinquency for that FO.

A CAS may be prepared for a single period or for multiple periods. The Derive Estimated Revenue screen is used when a return is not filed. The Derive Estimated Revenue — F&E Assessment screen is used when fixtures & equipment are not reported on a filed return and payment in full has been received.

Authority

The authority for preparing a CAS for a deficiency determination is RTC section 6481 — Deficiency Determination. The time in which to prepare a deficiency determination is covered in RTC section 6487 — Limitations; Deficiency Determinations. The authority for issuing a deficiency determination on an unfiled return is RTC section 6511.

Process for Unfiled Returns

The Compliance Assessment process calculates estimated revenue for unfiled returns from one or more periods by averaging prior returns filed for the account. The average tax measure used to estimate revenue can be increased or decreased by a specified percentage. This process also allows for an override of the average tax measure amount calculated and input of a specific tax measure on which the estimated revenue will be based. In addition, staff can input the amount of any sales of fixtures & equipment to be included in the tax measure.

The CAS process is also used to derive schedules for a single period or for multiple periods for a Taxable Activity based on selected periods. The schedules that can be derived are schedules A, B, C, E and F. This process may be used for creating local tax allocations and for compliance assessments. Deriving schedules is for headquarters use only.

The CAS function is not available for Consumer Use Tax accounts or SG accounts.

Accounts in Legal Status

When an account is in legal status because of bankruptcy, assignments, receivership, or probate, the "Legal Status" field on the Difference screens must be filled in. This will alert headquarters that the account should be given special attention. If the account should be in legal status but it is not displayed, the legal information must be input using the Legal Claim Case screen.

If split returns are required, the Periodic FO must first be split and then filled with Revenue, that is, a return, CAS or audit. If a CAS is required for an FO that needs to be split, go to the Split Financial Obligation screen and split the FO before preparing the CAS. See CPPM 510.200 and 754.055 for information about splitting an FO.

Penalty and Interest

A failure to file penalty is automatically added to a CAS.

Billings for penalties under RTC section 6073 (swap meet operators), section 6074 (catering trucks), and section 6077 (florist) will be issued by the Centralized Review Section. Districts will provide the information required to substantiate these penalties directly to Centralized Review Section.

Interest is automatically calculated by IRIS based on the amount of tax and due dates.

Notice

The billing statement (Notice) will be generated only after the CAS is approved by Centralized Review Section. Districts will not be able to create a Notice.

Consolidated Accounts

The CAS process is also used for consolidated accounts. IRIS will generally compute the district tax based on the selected prior returns. Staff must verify the allocation of district tax on all assessments, since in certain situations the district tax may not have been properly allocated or created by IRIS. Situations that would prevent IRIS from creating correct district tax include:

- Single location accounts that report sales in more than one district.
- Multiple location accounts that operate in more than one district, but the assessment is not based on prior returns.
- Multiple location accounts that operate in more than one district, the assessment is based on prior returns, but the sub-locations have changed during the assessment period.

Allocations of district tax can be reviewed using the system's Maintain/Inquire menu.

Security, Payments and Credits

When security, payments or credits are applied to a CAS, staff should enter a note in the justification field or in the Revenue comments field. Information that should be entered includes the payment amount, effective date and any other applicable comment. These payments/credits will not necessarily be automatically applied. However, IRIS will automatically adjust any penalties and recalculate interest when the payments/credits are applied.

Fixtures and Equipment

Normally, an assessment for fixtures and equipment that have not been reported by a taxpayer on a regular return will be included in a CAS when staff creates a Revenue entry on the Derive Estimated Revenue screen. However, when payment has been received that will fully satisfy the liability for the asset sale, staff should use the Derive Estimated Revenue — F&E Assessment screen to create the CAS. The Derive Estimated Revenue — Fixtures and Equipment screen is used to derive Revenue for a single period based upon a specified Fixture & Equipment (F&E) amount. This process will accept the F & E amount and derive the return by “backing into” the taxable measure using the F & E amount. A One-Time (OTM) Financial Obligation without Revenue must exist. **Do not use a Periodic FO for this process.** Note that this process is only used to create a Revenue entry for fixtures and equipment when no penalty is to be assessed and full payment has been received.

Upon completion of a CAS for F&E, IRIS’s Assignment Control automatically routes the CAS to the district office’s CAS reviewer. The reviewer is responsible for reviewing and approving the CAS at the district level.

ADJUSTING BILLINGS ISSUED BY THE RETURN ANALYSIS SECTION**540.180**

As a result of its review of sales and use tax returns filed by taxpayers, the Return Analysis Section (RAS) may issue a nonfinal, final, or determination billing to a taxpayer. Reasons for nonfinal and final billings include:

- Dishonored Checks (DC).
- No remittance (NR) or partial remittance (PR) returns.
- Underpaid prepayments.
- Late payments.
- EFT payments made by check or filed late.
- Late returns.

Reasons for determinations include:

- Tax shortages.
- Improper deductions.
- Excess tax reimbursement.
- Incomplete schedules A, B, or G.
- Vendor/wholesaler bad debts.

In response to a billing or determination issued by RAS, a taxpayer may provide a district office information documenting that the billing or determination is incorrect and in need of adjustment. District offices cannot adjust RAS billings or determinations. District offices must instead provide a request for adjustment to RAS using Form BOE–103, Adjustment Request Memorandum. Districts may not use another form for this purpose.

Form BOE–103 is a four-part carbonless paper set. District offices must fill out the form completely and provide a reason for the requested adjustment. Supporting information or documentation must be attached to the form. The originator keeps the goldenrod copy as a file copy and the pink copy to request a status report. The white and yellow copies are to be sent to RAS, with the yellow copy on top. RAS will place a copy of the request in the taxpayer’s headquarters file.

UNDERPAYMENTS OR OVERPAYMENTS OF \$10.00 OR LESS 545.000**ACCOUNTS RECEIVABLE BALANCES 545.010**

Debit and credit balances of \$10.00 or less appearing as a Difference are periodically written off. These balances will be disregarded in the preparation of any subsequent billings that are processed after the balances are written off. A refund or credit for the amount written off may be re-established upon receipt of a claim from the taxpayer within the three-year limitation period.

DISTRICT COLLECTION 545.020

Routine billing and collection procedures will not apply to underpayments of \$10.00 or less. However, in any case where the taxpayer voluntarily pays such an item, payment will be accepted. Similarly, if the district office must contact the taxpayer for some other reason, it is advisable to collect small items of \$10.00 or less at the same time. Likewise, where an account is closed-out and cash deposit is available, amounts due of \$10.00 or less will be deducted before refund is made.

MINIMUM AMOUNT OF OVERPAYMENT REFUNDS MADE WITHOUT CLAIMS 545.030

Overpayments of \$10.00 or less with tax returns or accounts receivable items will not be refunded unless the taxpayer files a claim for refund within the three-year limitation period (six months with respect to determinations).

DELINQUENCY CONTROL

550.000

GENERAL

550.010

Delinquency control is that part of the Board's operation that identifies delinquent accounts and controls the preparation of notices and various reports pertaining to these accounts. Delinquent accounts, as referred to in this section, are:

- Accounts that have failed to file tax returns,
- Accounts that have been mailed a Notice to Appear — Revocation Proceeding for any reason, and
- Accounts that have had their licenses or permits revoked for any reason.

IRIS automatically initiates the delinquency control cycle for accounts that have failed to file returns. Accounts that are delinquent for other reasons, for example, failure to pay balance, are initiated by staff as "cause delinquencies." A Notice to Appear — Revocation Proceeding may be sent both to accounts that have failed to file and to accounts with cause delinquencies.

The procedures outlined in this section pertain to sales and use tax accounts. Cigarette, use fuel, diesel fuel, motor vehicle fuel and alcoholic beverage tax delinquencies are controlled by the Special Taxes Department (STD). All notification of delinquencies, hearings and revocations for STD accounts will be issued by STD.

Licenses issued under the Alcoholic Beverage Tax Law are nonrevocable by the Board. The Alcoholic Beverage Tax Law does, however, provide that the Board shall give written notice to the Department of Alcoholic Beverage Control whenever any taxpayer's bond is canceled or becomes unenforceable, or whenever there is a failure to report and pay any taxes or penalties which are due. Upon proper notice, the Department of Alcoholic Beverage Control will confiscate the license and notify the Board of its action. See CPPM 748.000 for a detailed discussion of this process.

Delinquent motor vehicle fuel tax balances are not part of the Board's delinquency control function, but are the responsibility of the State Controller.

DELINQUENCY CONTROL CYCLE**550.020**

The delinquency control cycle initiated by IRIS for failure to file a return consists of:

- Establishing a delinquent record approximately three weeks after the due date of the return,
- Issuing a Delinquency Notice within five weeks from the due date of the return,
- Sending a Notice to Appear — Revocation Proceeding approximately 60 days after the issue of the Delinquency Notice,
- Sending a Notice of Revocation approximately 90 days after the issue of the Notice to Appear — Revocation Proceeding, and
- Retaining the record until the delinquency is cleared and the permit or license is reinstated.

The delinquency control cycle for cause delinquencies starts when staff establishes the cause delinquency record through an on-line request. The point at which a cause delinquency is to be initiated is at the discretion of staff. The rest of the process follows the same cycle as a system initiated delinquency, except that a Delinquency Notice is not issued and the account will receive a Notice to Appear — Revocation Proceeding during the next scheduled Citation Addressing date. The issuance of the Notice is in accordance with the Delinquency Processing Date Chart — Calendar of Sales Tax Functions.

Notice to Appear — Revocation Proceeding

Notices to Appear — Revocation Proceeding are not mailed to the following:

- Accounts on which the periodic delinquency to be cited has either a date or a permanent withhold.
- Accounts that have an active account level withhold for either a date or a Bankruptcy.
- Closed-out accounts.
- Accounts that are currently in an active citation/revocation cycle.
- Accounts with outstanding revocations.
- Use Tax accounts (Final Notices are mailed to Use Tax accounts).
- Part-time accounts that do not have a cause delinquency established.

Final Notices

A Final Notice is mailed to a recorded active delinquent use tax account that has not cleared periodic delinquencies. Final Notices are not mailed to closed-out accounts.

Notice of Revocations

A Notice of Revocation is mailed to an active delinquent account for which the Notice to Appear — Revocation Proceeding has been mailed providing the accounts are still cited at the time the Notice of Revocation is produced. Notices of Revocation are not mailed to the following accounts:

1. Closed-out accounts.
2. Use Tax accounts.
3. Part-time accounts that do not have a cause delinquency established.

DELINQUENCY CONTROL RECORD**550.030**

Delinquency control records are accessible through IRIS's DEL menu. These records reflect active or closed out accounts that have not filed returns, active accounts which have been mailed a Notice to Appear — Revocation Proceeding for any reason, and active accounts which have been mailed a Notice of Revocation for any reason. The record initiated by the system is termed a "periodic" delinquent record. As noted above, a staff initiated record is a "cause" delinquent record.

Periodic Delinquent Record

In addition to automatically establishing a periodic delinquent record when an account fails to file a return, IRIS also establishes a delinquency when:

1. An account is reinstated after being closed-out in error with an effective date prior to the current reporting period.
2. Change forms are processed affecting reporting periods that may create periodic delinquent records. Some examples are retroactive change of reporting basis, change of starting or closeout date, transfer of returns between accounts, etc.
3. An application for a new or converted account is processed with a starting date prior to the current reporting period.
4. A partial period return is filed. A return is considered partial period when the return does not cover the entire period to be reported. An example would be when a taxpayer files a monthly return for a quarterly return period.

Cause Delinquency Records

Cause delinquency records are established through on-line requests from district offices or the Special Procedures Section. The on-line function provides staff with the ability to make an account delinquent, cite an account, or revoke an account when a taxpayer fails to comply with Board policy. The cause delinquency record allows a Notice to Appear — Revocation Proceedings to be issued and can be established for the following reasons:

1. Failure to Pay Balance Due (A/R).
2. Failure to Comply.
3. Failure to Post Security.
4. Failure to Post Additional Security.
5. Failure to Post Replacement Security.
6. Failure to Comply with SG requirements.

DELINQUENCY CONTROL RECORD CLEARANCE**550.040****Periodic Delinquency**

A periodic delinquency is cleared when any non-partial tax return or facsimile for a delinquent period is processed in headquarters.

Processing changes affecting reporting periods may also clear a periodic delinquency record. Some examples are retroactive change of reporting basis, change of starting or closeout date, and, transfer of returns between accounts. A reinstatement application will not clear a periodic delinquent record.

Cause Delinquency

Cause delinquencies described in CPPM 550.030 are cleared when the taxpayer clears the cause for which the delinquent record was established, or by an on-line request from the district office or from headquarters.

DELINQUENCY CONTROL RECORD CLEARANCE**(CONT.) 550.040****Revocations**

Inoperative revocations are cleared by districts using on-line delinquency actions.

Active revocations are cleared by reinstatement application or closeout. Reinstatement applications or closeout will also clear delinquent records established for cause (failure to post security, failure to pay delinquent balances or failure to comply with a particular section of the law).

To prevent the erroneous mailing of a Notice to Appear — Revocation Proceeding or a Notice of Revocation, the district office must promptly process closeouts, withholds, payments, returns and other documents that clear delinquencies. These documents, including “No Sales” tax returns, must be sent to headquarters no later than the day following their receipt in the district office. District offices will establish on-line withholds when appropriate.

DELINQUENT INVENTORY OF AGED CLOSED-OUT ACCOUNTS**550.050**

Districts use the Delinquency Review Program (DEL REV) to generate delinquency reports. This program will produce customized reports based on parameters entered by the user.

Table of Exhibits

Debit and Credit Interest Rate Information	Exhibit 1
Sample of Return Forms	Exhibit 2
Official State Holidays	Exhibit 3
Consumer Use Tax Procedures for Vehicle/Mobilehomes, Vessels, Aircraft, and Customs Program	Exhibit 4
Local Tax Allocation Guidelines	Exhibit 5

DEBIT AND CREDIT INTEREST RATE INFORMATION**EXHIBIT 1****Debit and Credit Interest Rate Information**

PERIOD			RATE		COMPUTED ON		METHOD/FACTOR
			DEBIT	CREDIT			Per Year Computed
7/1/2003	-	12/31/2003	8%	1%	Tax Only	DR.	Monthly/ .00667/month
						CR.	Monthly/ .00083/month
7/1/2002	-	6/30/2003	9%	2%	Tax Only	DR.	Monthly/ .0075/month
						CR.	Monthly/ .00167/month
1/1/2002	-	6/30/2002	10%	4%	Tax Only	DR.	Monthly/ .00833/month
						CR.	Monthly/ .00333/month
1/1/2001	-	12/31/2001	12%	6%	Tax Only	DR.	Monthly/ .01000/month
						CR.	Monthly/ .00500/month
1/1/2000	-	12/31/2000	11%	5%	Tax Only	DR.	Monthly/ .00917/month
						CR.	Monthly/ .00417/month
7/1/1999	-	12/31/1999	10%	4%	Tax Only	DR.	Monthly/ .00833/month
						CR.	Monthly/ .00333/month
1/1/1999	-	6/30/1999	11%	5%	Tax Only	DR.	Monthly/ .00917/month
						CR.	Monthly/ .00417/month
7/1/1996	-	12/31/1998	12%	5%	Tax Only	DR.	Monthly/ .01000/month
						CR.	Monthly/ .00417/month
7/1/1995	-	6/30/1996	12%	6%	Tax Only	DR.	Monthly/ .01000/month
						CR.	Monthly/ .00500/month
1/1/1995	-	6/30/1995	11%	4%	Tax Only	DR.	Monthly/ .00917/month
						CR.	Monthly/ .00333/month
07/01/1993	-	12/31/1994	10%	3%	Tax Only	DR.	Monthly/ .00333/month
						CR.	Monthly/ .00250/month

For the most current interest rates, check the Board's website at: www.boe.ca.gov/sutax/interates.htm

BOE-401-A (FRONT)
REV. 08/00/00

STATE, LOCAL and DISTRICT SALES and USE TAX

DUE ON OR BEFORE

[F O I D]

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

BOARD USE ONLY		
RA-TT	LOC	REG
RA-BTR	AACS	REF
EFF		

Shaded areas
are reserved for
Headquarters use only

READ SCHEDULE T - TAX ADJUSTMENT WORKSHEET and 01-2 RETURN INSTRUCTIONS BEFORE PREPARING THIS RETURN

1. TOTAL (GROSS) SALES	1.	\$.00	PLEASE ROUND CENTS TO THE NEAREST WHOLE DOLLAR
2. PURCHASES SUBJECT TO USE TAX	2.		.00	
3. TOTAL (add lines 1 and 2)	3.		.00	
4. SALES TO OTHER RETAILERS FOR PURPOSES OF RESALE	50	\$.00	
5. NONTAXABLE SALES OF FOOD PRODUCTS	51		.00	
<div style="border: 1px solid black; padding: 10px;"> <p>Notes to Exhibit 2:</p> <p>A. The date on which a return is hand-delivered to a Board office must be written in this space. See CPPM 540.030.</p> <p>B. The date of the postmark and/or postage meter must be written in this space. See CPPM 540.060.</p> <p>C. The number of a receipt issued to the taxpayer for a payment of a return must be entered in this space. See CPPM 540.040.</p> <p>D. Notations on payments or deficiencies must be entered in this space. See CPPM 540.070, 540.080, 540.090, 540.100, 540.110, 540.120 and 540.130.</p> </div>				
12. STATE TAX 5.75% (multiply line 12 by .0575 OR enter line 13(c) amount from Schedule T worksheet)	13.		.00	<
14. (a) TRANSACTIONS SUBJECT TO COUNTY TAX (add amount in box 61 (above) to line 12) Enter total here	14(a).		.00	
(b) COUNTY TAX 1/4% (multiply line 14(a) by .0025)	14(b).		.00	<
15. ADJUSTMENTS FOR LOCAL TAX (see line 15 instructions)	15.		.00	
16. TRANSACTIONS SUBJECT TO LOCAL TAX (add or subtract line 15 to or from line 14(a))	16.		.00	
17. LOCAL TAX 1% (multiply line 16 by .01)	17.		.00	<
18. DISTRICT TAX (from Schedule A, line A11) YOU MUST COMPLETE SCHEDULE A ON REVERSE IF YOU ARE ENGAGED IN BUSINESS IN A TRANSACTIONS TAX DISTRICT	18.		.00	<
19. TOTAL STATE, COUNTY, LOCAL AND DISTRICT TAX (add < lines 13, 14(b), 17 & 18)	19.		.00	
20. DEDUCT sales or use tax imposed by other states and paid on the purchase price of tangible personal property. Purchase price must be included in line 2	20.		.00	
21. NET TAX (subtract line 20 from line 19)	21.		.00	
22. Less PREPAYMENTS \$ 1ST PREPAYMENT \$ 2ND PREPAYMENT Total Prepayment	22.	\$.00	
23. REMAINING TAX (subtract line 22 from line 21)	23.		.00	
24. PENALTY of 10% (10) is due if your tax payment is made, or your return is filed, after the due date shown above (see line 24 instructions)	24.		.00	
25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is 1% (.01000) (12% divided by 12)	25.		.00	
26. TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25)	26.	\$.00	

I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

YOUR SIGNATURE AND TITLE	TELEPHONE NUMBER	DATE
PAYED PREPARER'S USE ONLY	PAYED PREPARER'S NAME	PAYED PREPARER'S TELEPHONE NUMBER

Make a copy for your records.

OFFICIAL STATE HOLIDAYS**EXHIBIT 3**

New Year's Day	January 1
Martin Luther King, Jr. Day	Third Monday in January
Lincoln's Birthday	February 12
President's Day	Third Monday in February
Cesar Chavez Day	March 31
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veterans Day	November 11
Thanksgiving Day and Day After	Fourth Thursday and the following Friday in November
Christmas	December 25

In addition to the regularly scheduled holidays, official holidays include any other day appointed by the President of the United States or by the Governor of this State for a public fast, thanksgiving, or holiday.

If one of the foregoing legal holidays falls on a Sunday, the following Monday is a legal holiday.

If Veteran's Day falls on a Saturday, the preceding Friday is a legal holiday.

CONSUMER USE TAX PROCEDURES FOR VEHICLE/MOBILEHOMES, VESSELS, AIRCRAFT, AND CUSTOMS PROGRAM

EXHIBIT 4

Vehicles/Mobilehomes

Use Tax on vehicles and mobilehomes is due and payable by the purchaser at the time storage, use or other consumption of the property first becomes taxable, unless specifically exempt. Registration of a vehicle with the Department of Motor Vehicles (DMV) or a mobilehome with Housing and Community Development (HCD) constitutes filing a return. The use tax will be collected, if applicable, by DMV or HCD at the time of registration.

Persons Required to File

Any person who purchases a vehicle (as defined in the Vehicle Code) or mobilehome for use in California from a person who is not licensed or certificated as a manufacturer, dealer, dismantler, or lessor-retailer, and, who has not made application for registration with the DMV or HCD shall file a Combined State and Local Consumer Use Tax Return for Vehicles/Mobilehomes and pay use tax to the Board.

Measure and Due Date

Vehicles — The measure is the total purchase price, including cash, the market value of any property given in trade, the payment or assumption of any loan or any other valuable consideration given to the seller, unless specifically exempt.

Mobilehomes — Effective January 1, 1986, the measure is the total contract price or the retail value as determined by the Kelley Blue Book Manufactured Housing and Mobilehome Guide or the NADA Mobilehome Manufactured Housing Appraisal Guide, **whichever is lower**, unless specifically exempt.

Tax is due on or before the last day of the month following the month of purchase.

Vessels — Documented

Documented Vessel — A vessel documented by the United States Coast Guard (USCG) and issued a valid marine certificate. Documentation with the USCG is a world wide registration system in lieu of all other registration requirements.

Persons Required to File

Any person who purchases a vessel for use, storage or other consumption in California documented by the USCG shall file a return, such as a Combined State and Local Consumer Use Tax Return for Vessels or the tear-out panel in Pamphlet 79, and pay the use tax to the Board.

Measure and Due Date

The measure is the total purchase price of the vessel, including cash, the market value of any property given in trade, the payment or assumption of any loan or any other valuable consideration given to the seller, unless specifically exempt. The use tax rate is based on where the vessel is *principally stored, used, or otherwise consumed, such as where the documented vessel is moored or berthed*.

Per Regulation 1610(c)(2)(A), the return must be filed and tax paid (if applicable) on or before the last day of the calendar month following the month in which the return form is mailed or presented to the taxpayer, **or** the last calendar day of the 12th month following the month in which the vessel was purchased, *whichever period expires first*.

Example: Purchase date of 01/15/96. Return mailed to taxpayer on 07/16/96 would have a tax due date of 08/31/96. However a return mailed to the taxpayer on 05/12/97 would have a tax due date of 01/31/97 and penalty and interest would be due.

**CONSUMER USE TAX PROCEDURES FOR VEHICLE/MOBILEHOMES,
VESSELS, AIRCRAFT, AND CUSTOMS PROGRAM****(CONT. 1) EXHIBIT 4****Vessels — Undocumented**

Undocumented Vessel — Any vessel which is not required to have, and does not have a valid marine certificate issued by the USCG, but must be registered in the state where principally used on the waters. DMV registers undocumented vessels for the State of California as an agent for the Department of Boating and Waterways. Registering a vessel with DMV constitutes filing a return. The use tax will be collected, if applicable, by DMV at the time of registration.

Persons Required to File

Any person who purchases an undocumented vessel for use in California from a person other than a vessel dealer holding a seller's permit, and, who has **not** made application to DMV, shall file a Combined State and Local Consumer Use Tax Return for Vessels and pay use tax to the Board.

Measure and Due Date

The measure is the total purchase price of the undocumented vessel, including cash, the market value of any property given in trade, the payment or assumption of any loan or any other valuable consideration given to the seller, unless specifically exempt. The use tax rate is based on the location where the vessel is *principally stored, used, or otherwise consumed, such as where the undocumented vessel is moored or berthed.*

Tax is due on or before the last day of the month following the month of purchase.

Aircraft**Persons Required to File**

Any person who purchases an aircraft for use, storage or other consumption in California from a person other than an aircraft dealer holding a seller's permit shall file a Combined State and Local Consumer Use Tax Return for Aircraft or the tear-out panel in Pamphlet 79A and pay the use tax to the Board. The only agency that licenses an aircraft dealer is the Board of Equalization.

Measure and Due Date

The use tax due is measured by the total purchase price of the aircraft, including component parts, unless specifically exempt. The use tax rate is based on where the aircraft is principally hangared or tied down.

The return must be filed and tax paid (if applicable)

- on or before the last day of the calendar month following the month in which the return form is mailed or presented to the taxpayer, or
- the last calendar day of the 12th month following the month in which the aircraft was purchased,

whichever period expires first.

Customs**Persons Required to File**

Any California resident who hand carries merchandise purchased from a retailer in a foreign country into this state for storage, use or consumption, unless specifically exempt, may be mailed a Combined State and Local Consumer Use Tax Return for Customs Declaration to pay the use tax to the Board.

RETURNS

CONSUMER USE TAX PROCEDURES FOR VEHICLE/MOBILEHOMES, VESSELS, AIRCRAFT, AND CUSTOMS PROGRAM

(CONT. 2) EXHIBIT 4

Measure and Due Date

The measure is the total purchase price of property, less a \$400 exemption(s) in U.S. dollars available pursuant to section 6405 of the Sales and Use Tax Law (for each person traveling), not previously claimed within a 30-day period.

Tax is due on or before the last day of the calendar month following the month in which the return form is mailed.

Penalty and Interest

Interest and/or penalties APPLY to the use tax where:

- A purchaser is delinquent in transferring registration of the vehicle, undocumented vessel, or mobilehome through DMV or HCD. The purchaser is subject to penalty, and/or interest when application for registration with DMV or HCD is not made within 30 days of the change in ownership, even if the change in ownership was never registered with DMV or HCD, as in the case of some multiple transfers.
- A purchaser is late in filing a return with the Board.
- A purchaser underpaid or failed to pay the tax to DMV, HCD or the Board.
- A purchaser of a vehicle, vessel, or aircraft registers it outside the State of California for the purpose of evading the payment of taxes. A 50 percent penalty of any tax determined to be due on the sales price of the vehicle, vessel, or aircraft may be assessed (Section 6485.1).

The following table illustrates specific situations in which penalty and interest applies to use tax due on purchases of vehicles, undocumented vessels or mobilehomes:

Purchaser Has Applied for Registration with Department of Motor Vehicles or Department of Housing and Community Development

HOW TAX WAS PAID		HOW PENALTY AND INTEREST APPLIES	
1	Use tax was timely paid to DMV/HCD.	No penalty or interest is due.	
2	Use tax was timely paid to DMV/HCD, but tax was underreported at the time of registration.	The Board issues a determination for the additional tax. Interest is due on additional tax per Section 6482. No penalty for late payment applies because RTC section 6591 does not apply to determinations. Penalties for negligence, intentional disregard, or fraud may be assessed, if warranted, on the additional tax per Sections 6484 or 6485.	
3	Use tax was not timely paid to DMV/HCD.	Section 6292 paragraph (b) provides the late payment penalty applies per Section 6591 and is collected by DMV/HCD, but no interest is due.	
4	Use tax was not timely paid to DMV/HCD, and the tax was underreported at the time of registration.	Section 6292 (b) provides the late payment penalty applies per Section 6591, but no interest is due on the tax paid to DMV/HCD. However, when the Board issues a determination for the additional tax, interest is due on the additional tax assessed by the Board per Section 6482. Penalty may be due, if warranted, on the additional tax per Sections 6484 or 6485 for negligence, intentional disregard or fraud.	

**CONSUMER USE TAX PROCEDURES FOR VEHICLE/MOBILEHOMES,
VESSELS, AIRCRAFT, AND CUSTOMS PROGRAM**

(CONT. 3) EXHIBIT 4

**Purchaser *Has Not* Applied for Registration with Department of Motor Vehicles or
Department of Housing and Community Development**

HOW TAX WAS PAID TO THE BOARD	HOW PENALTY AND INTEREST APPLIES
1 No return was filed.	Determination is issued and penalty assessed by the Board on the unpaid tax (Section 6511-Failure to file a return). Interest is assessed per Section 6513. If warranted, fraud penalty may also be assessed (Section 6514).
2 A return was filed, but the use tax transaction was not reported.	Determination is issued for the estimated tax. If warranted, the penalty for either negligence or fraud may be assessed pursuant to Section 6484 or 6485. Interest is due per Section 6513.
3 A return was filed late with the correct amount of tax paid.	Penalty and interest are due per Section 6591.
4 A return was filed late with no remittance.	A demand is issued for tax. Late penalty and interest due per Section 6591.

LOCAL TAX ALLOCATION GUIDELINES**EXHIBIT 5****Tax Programs and Local Tax Allocation Schedules**

Local sales and use tax for taxpayers operating at a **single**, registered place of business is allocated in full to the jurisdiction in which the registered place of business is physically located. No allocation schedules are needed since all of the local tax is distributed to the jurisdiction of registration. For taxpayers that remit local tax for multiple places of business, supplemental schedules are needed in order to identify each jurisdiction's portion. Currently, five schedules are used: (1) Schedule B "Detailed Allocation by County," (2) Schedule C "Detailed Allocation by Suboutlet," (3) Form BT-530-B "Local Tax Allocation For Temporary Sales Locations," (4) Schedule E "Detailed Allocation by County," and (5) Schedule F "Detailed Allocation by City." These schedules are systematically assigned to the taxpayer by tax program in the following manner:

Permit Code	Permit Type	Allocation Form Needed
SR	Sales Tax	None or Form BT-530-B
SR X	Sales Tax	None
SR Y	Sales Tax	Schedule C
SR S	Sales Tax	Schedule B, Schedule F
SC	Use Tax	Schedule B, Schedule F
SR Z	Sales Tax	Schedules B, C and F
SU	Use Tax	None
SU S	Use Tax	Schedule E

SR Permits

The "SR" tax program is assigned to taxpayers who generally negotiate all sales transactions from a single business location and therefore remit local tax to one jurisdiction. Included in this tax program are sellers who have one in-state sales location in California (sales tax transactions), out-of-state retailers that do not have an in-state sales location but maintain a stock of goods from where all shipments to California customers are made, and "traveling" sellers who do not have a permanent place of business but make their sales substantially in one county. In the two instances, the retailer has a permanent place of business or registered warehouse and the specific jurisdiction can be identified. All local sales tax remitted by the retailer is allocated directly to the specific jurisdiction. In the second instance, the traveling seller is making sales throughout his/her home county which may include sales in several jurisdictions. As agreed in the contract between the Board and the various cities and counties, all local tax remitted by the traveling seller is allocated to the jurisdictions indirectly by means of the countywide pool. The appropriate Tax Area Code (specific jurisdiction code in the first instance or the countywide pool designation in the second) appears on the face of the return, and the local tax is allocated to the corresponding jurisdiction or countywide pool. For information on the allocation of use tax, see the section below titled "Allocation of Use Tax Under a Sales Tax Permit."

SR X Permits

"SR X" accounts are similar to SR accounts in that the local sales tax is remitted for a single jurisdiction. This tax program is assigned to retailers who have multiple business locations all within a single taxing jurisdiction. Sub permits are issued for each business location or "sublocation" as they are frequently called. However, no additional information is needed with regard to the local tax as all of the tax can be programmatically allocated to the jurisdiction identified on the face of the return. For information on the allocation of use tax, see the section below titled "Allocation of Use Tax Under a Sales Tax Permit."

SR Y Permits

“SR Y” accounts remit local sales tax for multiple jurisdictions and complete Schedule C, “Detailed Allocation by Suboutlet.” This tax program is used by California retailers who have multiple sales locations or stocks of goods in multiple jurisdictions and all of whose sales occur in California (sales tax transactions). Sub permits are issued for each sales location within California or, if no sales locations exist, each stock of goods location (warehouse). Each address and jurisdiction code appears on Schedule C. As provided in Regulation 1802, the local tax should be allocated on Schedule C to the location where the sale was negotiated or in the case of out-of-state retailers with no permanent business locations other than a stock of goods, to the location from which the delivery was made. For information on the allocation of use tax, see the section below titled “Allocation of Use Tax Under a Sales Tax Permit.”

SR S Permits

The “SR S” tax program provides the taxpayer with a Schedule B, “Detailed Allocation by County.” While Schedule B’s title indicates that the local tax is allocated indirectly through the countywide pools, Schedule B is designed to allow for one direct jurisdiction allocation (see Line B2) in addition to the countywide allocations. The SR S tax program is assigned to sellers who may have one permanent place of business in California and also have transactions subject to indirect allocation through the countywide pools. Effective July 1, 1996, some SR S tax program taxpayers may complete Schedule F instead of, or in addition to, Schedule B. Schedule F is used to directly allocate local use tax on certain leases of motor vehicles and sales or purchases of \$500,000 or more. For information on the allocation of use tax, see the section below titled “Allocation of Use Tax Under a Sales Tax Permit.”

SC Certificate of Registration

The “SC” Certificate of Registration — Use Tax program is assigned to out-of-state retailers who do not maintain a stock of goods in California. SC retailers who are engaged in business in this State as defined by RTC section 6203, are required to identify the county of the purchaser on Schedule B for indirect distribution of local use tax through the countywide pool. SC retailers who are not engaged in business in this State but who have voluntarily registered to collect the use tax from their purchasers are requested to complete Schedule B. In those instances where the county is not identified, the local use tax is distributed by indirect allocation through the statewide pool. As with some SR S taxpayers, effective July 1, 1996, some SC taxpayers complete Schedule F instead of, or in addition to, Schedule B. Schedule F is used to directly allocate local use tax on certain leases of motor vehicles and sales or purchases of \$500,000 or more.

SR Z Permits

The “SR Z” tax program is assigned to retailers who have multiple business locations requiring a Schedule C and also have transactions for which the specific place of sale cannot be identified or who remit local use tax subject to indirect allocation through the countywide pools on Schedule B. Such retailers are provided with both schedules for the allocation of their local tax. As with some SR S and SC taxpayers, effective July 1, 1996, some SZ taxpayers may complete Schedule F instead of, or in addition to, Schedule B. Schedule F is used to directly allocate local use tax on certain leases of motor vehicles and sales or purchases of \$500,000 or more. For information on the allocation of use tax, see the section below titled “Allocation of Use Tax Under a Sales Tax Permit.”

SU Permits

The “SU” tax program is assigned to taxpayers who consume rather than sell tangible personal property at a single California location. Generally, if the consumer purchases the goods from a California retailer, the tax is paid to the retailer, and no further tax is due. However, if the goods are purchased from an out-of-state retailer who is not authorized to collect the tax, the purchaser must file a Consumer Use Tax return and self-report the use tax. As with SR accounts, the specific jurisdiction code corresponding to the place of use appears on the face of the SU return, and the local use tax is directly distributed to the jurisdiction. Currently, Schedule E is included with the mailing of preprinted tax returns to SU taxpayers. While this schedule is not required under this tax program, completed Schedule E forms that show consumption of tangible personal property in multiple counties should be reviewed and accepted if appropriate. The account should also be reviewed for a possible change to the SU S tax program (see next paragraph).

SU S Permits

The “SU S” tax program is assigned to consumers who consume tangible personal property at multiple locations in California. SU S accounts are similar to SR S accounts in that the schedule provided (Schedule E) allows for one direct jurisdiction allocation on Line E2 (to the jurisdiction of the address of record) in addition to the various countywide designations. Effective July 1, 1996, purchases of \$500,000 or more must be identified by the specific jurisdiction in which the first functional use of the property is made using Schedule F. Consumers who consume purchases at multiple established locations may obtain a separate Consumer Use Tax permit (SU classification) for each location as an alternative to filing Schedule E.

Allocation of Use Tax Under a Sales Tax Permit

Taxpayers classified as SR, SR X, SR Y, SR S or SR Z (sellers) may have a use tax liability on purchases self-consumed in addition to the tax due on their sales. Sellers self-report their use tax liability on the same return along with the tax on their sales. For distribution purposes, the use tax “follows” the sales tax. This means that if a business location requires a sub permit to provide for the specific identification of the place of sale, the specific place of use can be readily identified as the same jurisdiction for purchases consumed. Accordingly, sellers are instructed to include the use tax on purchases consumed at registered locations along with the tax on sales.

Allocation of Use Tax for Unregistered Consumers

Effective July 1, 1996, use tax incurred on purchases of \$500,000 or more at unregistered locations is directly allocated to the jurisdiction of first functional use on Schedule F. Local use tax on all purchases consumed at unregistered locations prior to July 1, 1996, or purchases of less than \$500,000 consumed after July 1, 1996, is distributed indirectly through the countywide pool (Schedule B).

ALLOCATION PROCEDURES

Small Operators

Generally, small operators (defined as reporting local tax of \$600 a year or less) confine their activities to one county; therefore, they are assigned tax program SR with the countywide code for that county. This produces the same allocation result as requiring a Schedule B with a single countywide allocation. Small operator accounts are monitored and in the event the local tax goes above the \$600 threshold, Schedule B is assigned.

Construction Contractors

Regulation 1806 provides that the jobsite is the place of business of a construction contractor. Generally, construction contractors are required to report the local use tax on materials consumed and the local sales tax on fixtures furnished and installed opposite the county of the jobsite on Schedule B resulting in the indirect distribution of the tax through the countywide pools. Construction contractors who sell materials or fixtures on an uninstalled basis and/or make over-the-counter retail sales are required to segregate such sales from their construction contracts and provide a detailed allocation by place of sale for direct distribution to the local jurisdiction. Construction contractors may be classified as SR (all transactions are construction contracts performed in a single county), SR S (construction sites in multiple counties with some or no over-the-counter sales), SR Z (construction sites in multiple counties with over-the-counter sales at multiple locations), SU (liability for materials only furnished and installed in a single county), or SU S (liability for materials only furnished and installed in multiple counties). See the above section regarding Small Operators.

In December of 1994, the Board adopted a resolution which allows for the direct distribution of the local tax on materials and fixtures furnished and installed to the local jurisdiction of the construction site for qualifying contracts. The resolution became effective January 1, 1995, and applies to installing contractors with contracts carrying a new or remaining value of \$5,000,000 (labor, materials and / or fixtures — excludes equipment) or more. Under the resolution, a construction contractor may elect to register a jobsite of a qualifying contract resulting in direct allocation of tax to the jurisdiction in which the jobsite is located rather than an indirect allocation through the countywide pool. Conditions for obtaining the sub-permit are covered in CPPM 260.020.

Vending Machine Operators

Regulation 1802 provides that the place where the vending machine is located is the place of sale for operators of vending machines. Vending machine operators who conduct their business in substantially one county are assigned an SR tax program and the countywide code for indirect allocation of their local sales tax. Vending machine operators who operate in multiple counties are classified as SR S and are instructed to allocate the local sales tax on Schedule B opposite the county in which the vending machine is located.

Auctioneers

Regulation 1802 provides that the place of sale by an auctioneer is the place at which the auction is held. Auctioneers who conduct all of their auctions at a single place of business are classified SR for direct distribution of local tax to the corresponding local jurisdiction.

Auctioneers who also conduct auctions away from their permanent place of business are assigned the SR S or SR Z tax program. Prior to July 1, 1996, all local tax on auction sales held at a location other than the auctioneer's regular place of business was reported on Schedule B to the countywide pool in which the auction was held. Effective July 1, 1996, auctioneers conducting auction events totaling \$500,000 or more in taxable sales must use Form BT-530-B to report the local tax attributable to such events to the specific jurisdiction in which the auction occurred. For details see CPPM 265.030.

Temporary Sales Locations

Form BT-530-B, "Local Tax Allocation For Temporary Sales Locations," is used by taxpayers to properly report the local tax attributable to sales made at temporary locations, such as swap meets, flea markets, fairs and other special events. Because retailers are not required to obtain sub permits for temporary locations, this form allows taxpayers who frequently make sales at temporary locations to report such sales without interrupting the normal processing of their returns if such sales do not occur. Taxpayers are instructed to list the complete street address and taxable transactions for each temporary sales location. Recurring locations (sales occur at least once a year) are issued sub permits.

6015 Retailers

Regulation 1802 defines "place of sale" for local tax purposes with respect to retailers who use salespersons, representatives, peddlers, or canvassers as their agents for the sale of tangible personal property (section 6015 retailers). The "place of sale" for 6015 retailers is the business location of the retailer regardless of where the door-to-door solicitations occur. Depending on the nature of the section 6015 retailer's activities, the place of sale may be the California business location of the retailer, the California business location from which the merchandise is shipped, or the California business location that receives the order for the merchandise and/or directs the activities of the sales representative who made the sale. If the retailer has neither a business office nor a location from which merchandise is shipped in California, local tax is allocated through the countywide pool of the county in which the sales representative operates. See Regulation 1802 (b)(3).

Traveling Sales Personnel

Many businesses have sales personnel in the field in addition to or instead of permanent business locations. Regulation 1802 provides that the activities of field representatives are attributed to the sales location from which they work, and local sales tax should be allocated to the registered business location. The activities of field representatives who work out of their homes and report to a sales location out of state are attributable to the out-of-state location. Local tax should be allocated based on the shipping point. Sales of goods shipped from out of state (with title passing out of state) are subject to use tax which should be reported on Schedule B to the county of delivery. If goods are shipped from an instate location, the transaction is subject to sales tax, and local tax should be reported to the jurisdiction where the warehouse (shipping point) is located. The activities of field representatives who report to instate sales locations are attributable to the instate locations.

Local Sales and Use Tax Allocation for Transactions Over \$500,000

Effective July 1, 1996, the local use tax procedures were changed concerning individual sales or purchases of goods that are shipped from out-of-state inventories when the sale or purchase is \$500,000 or more. When this occurs, the local use tax must be allocated to the city or unincorporated county area where the first functional use occurs. Functional use means the use for which the property was designed or intended. Allocations for such sales or purchases must be made on Schedule F.

For individual sales or purchases of less than \$500,000, the allocation of the local use tax continues to be through the countywide pool into which the goods are delivered.

Indian (Native American) Sellers

See Regulation 1616 (d) regarding sales to and by American Indians. Indian sellers should be issued an SR seller's permit thereby enabling the use tax to be allocated directly to the place of sale.

Retailers Engaged in Interstate Sales

In general terms, an interstate sale is a sale in which the goods are delivered from out-of-state inventory directly to the California consumer by common carrier with title passing out of state or a sale that is negotiated instate with shipment of goods to an out-of-state location with title passing out of state. In either case, the sale is not subject to sales tax since the sale occurs outside California. However, interstate sales made by out-of-state retailers to California consumers are subject to use tax. The local use tax on such interstate sales into California is reported on Schedule B to the countywide pool of the county to which the goods are shipped. Because of the complexities involved regarding passage of title, it is sometimes necessary to review the contract of sale to determine the details of the transaction. Generally, if the retailer ships by means of common carrier, title is presumed to pass upon delivery of the goods to the common carrier unless there is an explicit agreement that title is to pass at some other time. If the retailer uses his/her own facilities to deliver the property, title passes when the property is delivered to the purchaser unless there is an explicit agreement executed prior to delivery that title is to pass at some other time.

Out-of-state retailers who are engaged in business in this state and collect use tax on interstate sales of \$500,000 or more, must identify on Schedule F the specific jurisdiction in which the first functional use of the property occurs. This generally is deemed to be the jurisdiction to which the goods are shipped.

Retailers Engaged in Intrastate and Interstate Sales

Retailers who have sales that occur within California (intrastate sales subject to sales tax) as well as sales that occur outside California (interstate sales subject to use tax) are provided with Schedules B and/or C and instructed to segregate the local tax on intrastate sales from interstate sales. The local sales tax on intrastate sales should be allocated to the sales location where the sale is negotiated (Schedule C or Line B2 of Schedule B), or, if the out-of-state retailer maintains no permanent place of business in California other than a stock of goods, to the warehouse/distribution center from which delivery is made. It should be noted that warehouse/distribution center locations are the direct recipients of local tax only if the out-of-state retailer has no instate sales office. The local use tax on interstate sales should be allocated as described in the above section, "Retailers Engaged in Interstate Sales."

Use Tax Direct Payment Permit

Effective January 1, 1998, section 7051.3 was added to the Revenue and Taxation Code. Section 7051.3 allows certain taxpayers to pay use tax directly to the Board that would otherwise be collected by the retailer making the sale. The intent of this legislation is to provide for the direct allocation of use tax to the jurisdiction of first use by the purchaser rather than allocation through the countywide pool as determined by the retailer. Section 7051.3 applies only to *use* tax.

Section 7051.3 provides that a Use Tax Direct Payment Permit shall be issued to any applicant who agrees to self-assess and pay use tax directly to the Board, and certifies to the Board either of the following:

- The applicant is the purchaser for its own use or is the lessee of tangible personal property (except motor vehicles) at a cost of \$500,000 or more in the aggregate, during the prior calendar year,

OR

- The applicant is a county, city, city and county, or redevelopment agency.

Leases Other than Leases of Certain Motor Vehicles

Regulation 1660 states that in the case of a lease, the applicable tax is generally a use tax upon the use in this state of the property by the lessee. Options and requirements applying to lessors affect this general application however, and in turn affect the place of use.

Tax-Paid Property — Place of Use

In cases where the lessor either elects or is required to report use tax measured by the purchase price of the leased property, the lessor is the consumer. In such cases, the use tax is either paid in full by the lessor to the retailer or is self-reported on the lessor's return. In either case, no tax is due on the lease receipts. If the lessor self-reports, the place of use of the leased property is the California location at which the property is first used by the lessor. If the place of use is a registered place of business, the local tax is distributed directly to the jurisdiction in which the use occurs (Schedule C or Line B2). If a permit is not required for the address of the place of use, the local tax is distributed indirectly through the countywide pool (Schedule B) **except for periods after July 1, 1996 when the purchase price is \$500,000 or more**. Lessors should report the use tax on these purchases on Schedule F.

Tax Paid on Lease Stream

In cases where the lessor is required to report and pay the use tax measured by rental receipts or where the lessor elects to pay the tax measured by the fair rental value, the place of use is determined by the type of property leased and the lease term.

Generally, leased property falls within one of two categories: "mobile transportation equipment" (MTE) and "non-mobile transportation equipment" (non-MTE). The term "mobile transportation equipment" applies to equipment for use in transporting persons or property for substantial distances. The term "non-mobile transportation equipment" applies to all other property and includes passenger vehicles as defined in section 465 of the California Vehicle Code and one-way rental trucks.

The lease term for local tax allocation purposes is defined as either short term (30 days or less) or long term (more than 30 days). An exception to these definitions occurs with respect to leases of motor vehicles. See the following sub-section for a detailed explanation.

Where the lease is a long term lease of non-MTE and the location of the leased property is readily identifiable in the lessor's records, the place of use is the county-wide area in which the property is located during the term of the lease. The local tax on such leases is distributed indirectly to the jurisdictions by means of the countywide pools. As with other use tax transactions of \$500,000 or more, the local use tax on long-term leases of non-MTE of \$500,000 or more is directly allocated to the jurisdiction of use on Schedule F.

Where the lease is either a short term lease, a lease of MTE, or where the actual place of use cannot be determined from the lessor's records, the lessor's California place of business at which the principal negotiations for the lease occurs is considered the place of use. The local tax remitted on such leases is distributed directly to the jurisdiction in which the lease is negotiated (Schedule C). If none of the lessor's California locations participates in the negotiations, the local tax is distributed through the countywide pools to the county corresponding to the lessee's address.

Leases of Motor Vehicles

Prior to January 1, 1996, use tax was reported by the lessor on Schedule B to the countywide pool of the assumed place of use of the vehicle by the lessee. Generally, if the lease was short term (30 days or less), the place of use was deemed to be the business location of the lessor. If the lease was long term (over 30 days), the place of use was deemed to be the jurisdiction where the lessee resides, and local tax was allocated indirectly through the countywide pool on Schedule B. Effective January 1, 1996, RTC section 7205.1 shifted the place of use for long-term leases (defined as longer than four months) from the location of the lessee to the location of the new motor vehicle dealer from whom the lessor acquires the vehicle.

Effective January 1, 1999, RTC section 7205.1 was amended to specify the proper allocation of local use tax collected by "leasing companies." For the purposes of the allocation of the 1% local tax, a "leasing company" is a motor vehicle dealer (as defined in Vehicle Code section 285) that meets all of the following criteria:

- They originate long-term lease contracts and elect to remit tax based on lease receipts.
- They do not sell or assign the long-term contracts that they originate.
- They have annual motor vehicle lease receipts of fifteen million dollars (\$15,000,000) or more per location. Where the lessor operates from multiple locations, the lessor qualifies as a leasing company on a location-by-location basis. Annual lease receipts, which do not include capitalized cost reduction payments or amounts paid by a lessee to exercise an option, are calculated based on the previous calendar year.

For purposes of administering the local tax, a "leasing company" must be a motor vehicle dealer. In addition, the term "dealer" does not include a person who is solely engaged in the business of leasing.

When a lessor is a California new motor vehicle dealer or a "leasing company" as previously defined, the place of use for reporting the local use tax is the city in which the lessor's place of business is located.

When the lessor is *not* a California new motor vehicle dealer or a "leasing company," there are two possible allocations of the 1% local use tax. When the lessor purchases the vehicle from a California new motor vehicle dealer or a "qualified leasing company," the place of use for reporting the local use tax is the city in which the dealer from whom the lessor purchased the vehicle is located and the tax should be reported on Schedule F. When the lessor purchases the vehicle from another source, the local use tax shall be reported and distributed through the countywide pool of the county in which the lessee resides. In this case, the local use tax should be reported on Schedule B.

The place of use for determining the allocation of the 1% local use tax for vehicle lease agreements entered into on or after January 1, 1999, is summarized by the following chart:

**Guidelines for Allocating the Local Use Tax Due on
Leases of Motor Vehicles Effective January 1, 1999**

Type of Lessor		Leases Exceeding 4 months	Leases for 4 months Or Less
		Allocate Local Tax To:	
California New Motor Vehicle Dealer	Lease of a new or used motor vehicle.*	Lessor's sales location	Lessor's sales location
"California Qualifying "Leasing Company" (as defined)**"	Lease of new or used motor vehicle.*	Lessor's sales location	Lessor's sales location
"California Lessor other than a New Motor Vehicle Dealer or Qualifying "Leasing Company" (as defined)**"	"Lease of a motor vehicle* purchased from a California new motor vehicle dealer or qualifying "leasing company." " "	"California new motor vehicle dealer or "leasing company's" sales location (Schedule F)"	Lessor's sales location
	"Lease of motor vehicle,* purchased from other than a California new motor vehicle dealer or qualifying "leasing company." " " " "	Lessee's place of residence (Schedule B)	Lessor's sales location
	"Lease of MTE, other than a light duty pickup truck, purchased from a California new motor vehicle dealer or qualifying "leasing company." " " " "	Lessor's sales location	Lessor's sales location
Out-of-State Lessor:	"Lease of motor vehicle* purchased from California new motor vehicle dealer, or qualifying "leasing company" " " " "	"California new motor vehicle dealer or "leasing company's" sales location (Schedule F)"	Lessee's place of residence (Schedule B)
	"Lease of motor vehicle* and MTE, purchased from other than a California new motor vehicle dealer or qualifying "leasing company." " " " "	Lessee's place of residence (Schedule B)	Lessee's place of residence (Schedule B)

*Traditional passenger vehicle (designed to carry, including the driver, no more than 10 passengers), but not including any mobile transportation equipment except light duty pickup trucks rated less than one ton.

** "Qualified leasing company" is defined in Audit Manual 0618.05.

For leases allocated to a California dealer's sales/business location, the place of use for local use tax purposes remains the same for the duration of the contract, even though the lessor may sell the vehicle and assign the lease contract to a third party.

ACTUAL VS. ESTIMATED ALLOCATIONS

The Board takes an active role in ensuring that local tax allocations provided by taxpayers are actual and strictly conform to the above guidelines. Unfortunately, not all taxpayers have accounting systems sufficient to the task. While local tax allocations are required on an actual basis, the Board recognizes that in some cases, actual allocations are not available. Accordingly, staff will review requests for deviations from established procedures and may grant an exception if the circumstances warrant. Auditors may accept allocations for a single reporting period based on reasonable estimates.

LOCAL TAX ALLOCATION GUIDELINES

(CONT. 9) EXHIBIT 5

Questions About Local Tax Allocation Procedures

Questions regarding local tax allocation guidelines are generally handled by District office staff, or the Local Revenue Allocation Section. Questions regarding the interpretation of statutory and regulatory provisions should be directed to the Board's Legal Division.